



Report on

June 1985

**Canada's
Relations**

with the Countries of the

Middle East

and

North Africa

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

Chairman: The Honourable George C. van Roggen

Deputy Chairman: The Honourable Heath Macquarrie

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Note: The Honourable Senators Sidney L. Buckwald, David A. Croll, Louis de G. Giguere and H.A. Olson also served on the Committee at various stages of this study.

Order of Reference

Extract from the Minutes of Proceedings of the Senate, Tuesday, December 18, 1984:

The Honourable Senator Macquarrie moved, seconded by the Honourable Senator Hicks:

That the Standing Senate Committee on Foreign Affairs be authorized to continue its examination and report on Canadian relations with countries of the Middle East and North Africa;

That the Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the purpose of the said examination and consideration of such legislation and other matters as may be referred to it, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine;

That the Committee have power to sit during adjournments of the Senate; and

That the papers and evidence received and taken on the subject during the Thirty-second Parliament be referred to the Committee.

After debate, and —

The question being put on the motion, it was —

Resolved in the affirmative.

Charles Lussier
Clerk of the Senate

FOREWORD

This report deals with Canada's relations with countries of the Middle East and North Africa and touches on a number of complex subjects, many of which are evolving from day to day. In fact, the situation is changing so rapidly that the detailed comments in a report such as this inevitably are being overtaken by events. However, the Committee believes that its conclusions and recommendations have a continuing validity.

The Committee held 38 hearings in Ottawa and a Sub-committee travelled to five countries in the region. The Sub-committee's report was printed in the Committee's proceedings of 7 March 1984.

The report deals with a range of issues including Canadian peacekeeping in the Middle East, Canada's trade and representation with countries of the area, immigration links, Lebanon and the Iran-Iraq war. It gives particular emphasis to the Arab-Israeli dispute.

In undertaking this examination, the Committee was conscious that a function of such a study is to broaden understanding and promote dialogue among Canadians. This was the approach taken by the Committee in its previous study which examined the possibilities for a bilateral free trade agreement with the United States. In this case, the Committee has sought to enlarge knowledge in Canada of the intricacies of the problems which are at the root of the disputes of the area.

Since the issues are complex and the outcome critically important to the people of the area, the Committee moved slowly, through discussion, to try to reach balanced conclusions. While in a Committee report all members will not agree with every particular, in the Committee's view however, this report represents a balanced statement of the issues and presents a reasoned assessment of Canada's interests in the region.

I am grateful to all members of the Committee and especially to the Deputy Chairman, Senator Heath Macquarrie who chaired a number of important meetings in my absence and whose deep knowledge of this area of the world was most generously shared. The courtesy and understanding of all Members of the Committee, one to another, made it possible for us to find ways to resolve differences of opinion and to reach common ground. In addition, I wish to thank the staff for

their support and service, in particular Patrick Savoie, the Clerk of the Committee, Peter Dobell, director and Carol Seaborn, staff assistant, both of the Parliamentary Centre.

A handwritten signature in black ink, appearing to read 'G. van Roggen', with a large, stylized flourish above the name.

George C. van Roggen
Chairman
June 18, 1985

TABLE OF CONTENTS

	Page
Foreword.....	i
Summary of Conclusions and Recommendations.....	v
I. Introduction.....	1
II. Security Implications.....	5
III. The Arab-Israeli Conflict	7
A. Peace proposals.....	11
B. Israel.....	19
1. Israel's security concerns.....	19
2. Israel and the West Bank and Gaza.....	24
C. The Palestinians.....	30
1. Palestinians in the West Bank and Gaza.....	32
2. The PLO.....	39
D. Prospects for a renewal of the peace process	46
E. Canada's position	49
1. Canada's early involvement in the Arab-Israeli dispute.....	49
2. Canadian policies relative to the peace plans	51
3. Positive steps that could be taken	53
4. Jerusalem.....	60
5. How Canada should relate to the PLO.....	63
6. Golan Heights	68
F. Lebanon.....	69
IV. Iran and Iraq.....	75
V. Canada and Middle East Peacekeeping.....	79
VI. General Relations	87
A. Representation.....	87
B. Trade relations.....	91
1. Bilateral trade	95

2. The Arab boycott against Israel.....	100
3. The EDC's role in promoting exports.....	102
4. Canadian development assistance and humanitarian aid.....	105
C. Immigration and refugees.....	111
Maps.....	116
Appendices.....	119

Summary of Conclusions and Recommendations

1. As a western industrialized nation, Canada has a deep interest in the stability of the Middle East and is concerned that a major international confrontation should not erupt from the several conflicts which persist in this volatile region including the Arab-Israeli dispute, the continuing turmoil in Lebanon and the Iran-Iraq war.
2. **The Arab-Israeli Conflict**

In the Arab-Israeli dispute, Canadians like others face the difficult task of assessing an issue based on two interpretations of deeply-rooted historical experiences. The problem is exacerbated because both sides appear to have right, or an element of right, on their side. This report frequently records opposing perceptions held by the parties involved in the Arab-Israeli dispute as these are important if one is to understand the positions which each has adopted.

The hearings and the Sub-committee's travels in the Middle East have convinced the Committee that there can be no resolution of the Arab-Israeli dispute until there has been agreement on how to accommodate the Palestinian people while at the same time ensuring the security and legitimacy of Israel. Palestinians are too numerous, too articulate and determined, too well-connected to the rest of the Arab world to make it possible for Israel to come to some agreement with its Arab neighbours that would ignore the Palestinians.

By early 1985 there were a series of developments which rekindled hopes for the peace process in the Middle East. Yet there still are many serious problems delaying the peace process. There are certain steps, in the Committee's view, that the parties centrally involved could be encouraged to take that could advance the peace process:

a) **Restraining the harsh rhetoric**

The Committee recognizes that even with some forces for moderation on both sides, the gulf between the two remains very wide. It has not been helped by the use of strong rhetoric by the protagonists which makes accommodation almost impossible. Restraint on both sides could help calm the suspicions generated by years of bitter conflict. It is to be hoped that the softening noted in 1985 of the earlier harsh tones of rhetoric of the two main contending parties will persist, thereby easing the path to the bargaining table.

b) Curbing of terrorism and violence

Curbing of terrorism would be an important way to improve the atmosphere. Acts of terrorism against Israeli citizens still occur and groups within the PLO claim credit for them. The Committee has already, in its meetings with PLO representatives, strongly urged that it formally commit the organization to reject the use of terrorism.

Violence against Arabs in the occupied territories by Israeli extremist groups has also been a problem. The Committee has noted that the Israeli government has taken action to stem anti-Arab violence by Jewish extremist groups in the occupied territories.

c) Easing of restrictions

Another important move that could improve the atmosphere and that could help lead to a more normal political process in the occupied territories would be to allow some of the former West Bank and Gaza Palestinian leaders now in Jordan to visit and talk to their people. Because Egypt and Jordan have long been advocating an easing of restrictions in the occupied territories, such increased mobility could help bring about the establishment of more normal relations between Israel and Egypt and a gradual improvement in relations between Israel and Jordan.

d) Halting of settlements

A most valuable action to diminish frictions in the West Bank would be the halting of Jewish settlements. During the seven years of the Likud government, nearly 100 new settlements were established in the occupied territories. In the Committee's view, the Canadian government should continue to urge Israel to end, not just freeze, settlement activity in the West Bank and Gaza. In the Committee's opinion the reversibility of settlements would be feasible but only as part of an overall political agreement in which Israel would undertake responsibility for the removal of the settlers from the settlements.

e) Palestinian representation in negotiations

Since the Arafat-Hussein agreement in early 1985, Jordan and Egypt have been attempting strenuously to form a delegation comprising Palestinians acceptable to Israel so talks could begin. The Committee is persuaded that it is in the interest of the Palestinian people to take advantage of the opportunity for participating in negotiations by proposing moderate non-PLO Palestinians as their representatives as soon as possible to join the Jordanian and Egyptian negotiating body for the first stage negotiations under the Camp David Framework Agreement.

f) Mutual recognition

It is evident that, ultimately, negotiations can only proceed if both sides accept the existence of the other side. The Arabs will have to deal with Israel as

a firmly established state and the Israelis will have to admit that Palestinians have a right through centuries of residence to a part of historic Palestine, namely the West Bank and Gaza. But both sides are making the commencement of negotiations more difficult.

The Committee suggests to the Canadian government that it urge the two sides to set aside these ultimate objectives of mutual simultaneous recognition and to see what practical arrangements can be worked out. If both sides were able to find mutual benefit through a series of smaller agreements, the formalization of their undertakings could eventually bring with it the mutual recognition that each considers important.

g) Israel's security and the West Bank

Israelis have a special and understandable concern for their security. The Camp David Accords provide for the withdrawal of Israeli armed forces, a redeployment of some Israeli forces to specified security locations and "arrangements for assuring internal and external security and public order".

If the principle of demilitarization of the West Bank were to be accepted by the Palestinians and the Arab states and endorsed by the international community, it should be easier for Israel to agree to withdraw its forces. Such an arrangement should be for the longer term and it would be important that it could not be modified by any of the parties directly concerned without international agreement.

h) An international peace conference on the Middle East

President Mubarak of Egypt has suggested that once an agreement has been tentatively worked out between those directly concerned, an international conference might then be called including the United States, the Soviet Union and the three other permanent members of the UN Security Council. Such a second stage conference could confirm the arrangements made at the earlier negotiations among those primarily concerned. It would recognize the fact that the Soviet Union has influence and interests in the Middle East, an acknowledgement which would be important in encouraging a wide Arab acceptance of any peace settlement. Moreover, the Soviet Union is in a position to help improve the atmosphere in the Middle East by exerting a moderating influence on the Syrians and on some elements of the PLO.

3. Jerusalem

Jerusalem is undoubtedly the largest of many obstacles to some kind of settlement in Palestine. While the issue cannot be avoided, it should not be taken up unless progress has been made in finding accommodation on other less intractable problems.

With regard to Jerusalem, the Committee considers that Canada should continue with its present stance. This should include not recognizing Israel's

unilateral annexation of East Jerusalem and opposing actions by Israel to alter the status of the city. Nor should Canada give any signals that it is prejudging the outcome of negotiations by moving the Canadian Embassy from Tel Aviv to Jerusalem.

The Committee suggests that, when the problem is eventually discussed, the Canadian government might urge some kind of special status for the holy places of Jerusalem.

4. How Canada should relate to the PLO

The Committee heard a substantial amount of testimony on the question of whether Canada should or should not recognize the PLO. After weighing all the evidence, the Committee concluded that Canada should continue its present policy of not recognizing the PLO as the sole representative of the Palestinian people.

Canada has close diplomatic relations with Israel and the capacity to make its views known to Israeli officials. But communicating Canadian views to the Palestinians and encouraging the disparate Palestinian community to moderate its positions and to be ready to work out practical accommodations with Israel requires being in contact with PLO officials, since that organization clearly speaks for most Palestinians. Accordingly, the Committee recommends that Canadian government contacts with the PLO continue at their present level and frequency.

5. Golan Heights

Along with East Jerusalem, the Golan Heights ranks as perhaps the most difficult question in the Arab-Israeli dispute. In the Committee's opinion, it would seem that the problem of the future of the Golan Heights should be left to a later round of negotiations. Until some progress has been made and more confidence prevails between those who are party to the Arab-Israeli conflict, the differences over the Golan could block all attempts to resolve disputes in the area.

6. Lebanon

The current problems of reconciliation and reconstruction facing Lebanon are immense. Given the intense internal rivalries, the central Lebanese government must move extremely carefully. Tragically, an end to the turmoil in Lebanon is not yet in sight. For the many Canadians of Lebanese origin, the process of restoring peace and unity to Lebanon is of major importance. The Committee is appalled by recent events in Lebanon and is watching developments with compassion and concern. It supports any efforts the Canadian government is able to make to promote Lebanon's territorial integrity.

7. Iran and Iraq

During this study Committee members were concerned as to what constructive role Canada could play, if any, in the Iran-Iraq situation. The Canadian government has appealed to both parties to end the conflict and urged them to make use of the good offices of the Secretary-General. Canada has strongly supported his mediation efforts in this war. After hearing testimony on this subject, the Committee concluded that, beyond this, there was little that Canada could do.

8. Canadian Peacekeeping in the Middle East

In general terms, the Committee has concluded that Canada's contributions to peacekeeping operations in the Middle East have helped to contain conflict in the area. It is a role for which Canada is well qualified, and represents an effective use of its armed forces. The Committee therefore believes that Canada should consider seriously future requests to contribute units to peacekeeping forces which may be established in the region.

a) UNTSO: The United Nations Truce Supervisory Organization

The Committee recommends that the government support any international effort to strengthen UNTSO so that it could, on relatively quick notice, be available to monitor arrangements which might be made to resolve the Arab-Israeli dispute. UNTSO has been effective in observing points of confrontation in the Middle East and has helped to maintain channels of communication. It is not costly and its long experience and continuous mandate could be a major advantage in terms of speed and effectiveness of response.

b) UNDOF: The United Nations Disengagement Observer Force

This UN peacekeeping operation on the Golan Heights impressed Committee members as being effective, properly planned and executed. Both Israel and Syria appear to agree that UNDOF is the best solution to the problem until a settlement of the area is reached. The Committee recommends that Canada continue to contribute to UNDOF.

c) UNIFIL: The United Nations Interim Force in Lebanon

Unless the Lebanese government were to acquire greater stability and authority following the Israeli withdrawal, the Committee doubts that UNIFIL will be able to carry out its mandate effectively. In these circumstances, the Committee considers that the Canadian government should be extremely cautious about agreeing to contribute to any expanded role for UNIFIL in southern Lebanon.

d) MFO Sinai: The Multinational Force and Observers in the Sinai

The Committee agrees with the government's acceptance of the invitation to Canada by Egypt and Israel to participate in the Sinai peacekeep-

ing force. The Committee considers, however, that the government should take care that it obtains a clearly stipulated and accepted fixed term for its commitment in this force. Canada would not wish to find itself again in the same situation as it is in Cyprus and where it would be faced with difficulties and controversies if it were to decide to terminate Canada's peacekeeping participation there.

9. Diplomatic Representation

a) Syria is the one major country in the area with no resident Canadian diplomatic officers. The Committee recommends that the government establish an embassy in Damascus with a resident Ambassador.

b) The Committee views as unfortunate the state of Canada-Iran relations. As a condition to normalization of diplomatic relations, Iran continues to demand an apology from Canada for assisting U.S. embassy personnel to escape from Iran, a request that Canada quite correctly continues to refuse.

In the interests of removing the handicap to Canadian businessmen of having no official Canadian presence in Tehran and with a view to enhancing bilateral trade and commercial relations, the Canadian government should continue to seek the normalization of its relations with Iran.

c) The Committee suggests that the Department of External Affairs review the length of postings for officials to Middle East and North African posts with a view to extending the normal two-year length of posting to three or four years. It takes time to understand the culture, customs and procedures of the countries of the area.

10. Trade

a) Trade between Canada and the Middle East and North African countries has been growing but not as quickly as hoped. With a few exceptions, the results of Canadian export efforts in the region have been meagre. To break into these markets requires hard work and a long lead time with frequently little to show for the effort. Nonetheless the Committee is persuaded that the Canadian private sector and the Canadian government cannot turn their backs on the opportunities, albeit limited, which exist there. A country as dependent as Canada on foreign trade, should pursue, with energy and persistence, the trade these markets could represent.

b) In respect to trade promotion, it was interesting to learn from business witnesses that ministerial visits to North Africa and the Middle East, including two prime ministerial visits, were judged to have given important support to sales efforts. Expansion of exports is also assisted by several government programs. It is important that ministers of the Crown continue to make official visits to countries of the region and that a substantial part of their departmental programs for these countries be devoted to trade promotion activities. Nor

should visits to the region by parliamentarians be overlooked. Their contacts in these countries can be influential in furthering Canadian interests including those in trade and cultural fields.

c) The Committee hopes that the Secretary of State for External Affairs will continue to appoint officers specializing in trade to this area. It is important that the general foreign policy concerns of External Affairs not subordinate the important trade component of Canada's interests.

d) Boycott demands introduce an element of uncertainty into business transactions, an element that businessmen would prefer to avoid, particularly since the practice varies from country to country. Moreover, boycott and anti-boycott pressures are unwelcome and undesirable to Canadians. For Canadian companies, these boycott demands are a cause of uneasiness and constitute something of a constraint in doing business in that part of the world.

e) The Committee urges the government to consider adopting the proposal set out in its recent Export Financing paper to expand and modify significantly the use of the mixed credit program and that it should be administered by the EDC. At the same time, the Committee urges the Canadian government, in implementing more aggressively this mixed credit facility, to look to Jordan as a country in which to "seek out new business under a more relaxed project selection procedure."

f) The Committee is convinced that the provision of educational services both in Canada or abroad to students of the area, not only constitutes valuable export sales in themselves, but can be regarded as a useful, albeit long-term, component of Canada's trade policy.

11. Development Assistance

The Committee considers that the present emphasis on Egypt as a core country for Canadian development assistance should be maintained.

The Committee considers that growth and stability in the West Bank and Gaza will be important for future peace in the area. The Committee recommends that the Canadian government and CIDA revise their policy toward the West Bank and Gaza and classify these territories in a way which will make them eligible for direct development program assistance and that CIDA put increased emphasis on support of non-governmental agencies working in this area. Particular attention should be given to Gaza because of the extremely crowded conditions, its large youthful population and its need for intensive development projects.

12. Immigration

Since Canada is prepared to take refugees from the Middle East and the quota is not being filled, the Committee recommends that the Canadian Government give its immigration officials a special, pragmatic and flexible authority to deal

in a humanitarian manner with Palestinian individuals or families wishing to come to Canada. If necessary this could be handled under Ministerial discretionary authority.

I INTRODUCTION

Hardly a day goes by without some event in the Middle East catching the newspaper headlines. Since the end of the Second World War more continuing violence and conflict have occurred in that region than anywhere else in the world. Increasing amounts of ever-more modern weapons have flowed into the area, making it one of the most heavily armed parts of the globe.

Canada's contacts with the Middle East have developed in an unusual way. Most of Canada's international relationships have grown from links based on geography, immigration, trade or membership in the Commonwealth. Canada's initial Middle East involvements came from none of these factors but resulted instead from its early prominence in the United Nations combined with the stature of Lester B. Pearson in its councils. As a result of Canada's UN activities, the first experience of the Middle East for significant numbers of Canadians has been as participants in a series of peacekeeping and observation missions.

The increasing dependence of the world on imported oil gave the Middle East, which had become the major international supplier of oil and gas, a new strategic importance. Conflict among countries of the Middle East involves the risk of cutting off vital oil supplies and has the potential of severely damaging the world's industrialized nations. With substantial energy supplies of its own, Canada is much less dependent on imported oil than many of its allies in Europe and it has become even less dependent through conservation and substitution measures. However, it lives in an interdependent world and Canadians must continue to be concerned to help to maintain the stability of the Middle East.

The enormous revenues that have flowed into the oil producing countries of the Middle East have changed these societies dramatically, enabling them to undertake a massive development of their economies. Most of this development has been based on imported products and technology. Trade opportunities in the region have grown significantly especially since the 1970s, after oil prices shot up. Canada has been late to enter these markets, but in recent years both government and industry have begun to make vigorous attempts to share in these new opportunities. However, while Canada is now quite widely represented throughout the region and a few Canadian firms have been highly successful there, its share of the area's trade is still modest.

It is noteworthy that Canada's relations with the countries of the Middle East and North Africa have not previously been the subject of serious examination by either a Senate or a House of Commons Committee. Over the years, there have been parliamentary studies of Canada's relations with Europe, with the United States, with the USSR, with Latin America, with the Caribbean, with the Pacific rim countries, with some of the countries of southeast Asia, with the Commonwealth,

with developing countries, and with the countries of southern Africa. The lack of parliamentary study of the countries of the Middle East and North Africa has stood out.

Canadian awareness of the countries of the Middle East has increased in recent years. Most Canadians supported the establishment of the Jewish state of Israel in the region. A sense of horror at the Holocaust, respect for the progressive and vigorous character of the Israeli state, and admiration for the quality of Israeli democracy in a region of non-democratic governments led the great majority of Canadians to sympathize with Israelis in their struggle to maintain their new state against numerically superior adversaries, some of whom used military force, engaged in terrorist activities, and employed extremist rhetoric. The fact that Israel was situated in the Holy Land probably reinforced this focus. An observation by Mr. Pearson in his biography well demonstrates this phenomenon:

I must admit that I became emotionally involved in a very special way [in the Partition and Suez questions] because we were dealing with the Holy Land—the land of my Sunday school lessons. At one stage of my life, I knew far more about the geography of Palestine than I did about the geography of Canada. I could tell you all the towns from Dan to Beersheba, but certainly not all from Victoria to Halifax. I think that in the back of my mind, I felt that I was concerning myself with something very close to my early life and religious background. . . . It made the dispute much more real in my mind than, for instance, Korea. I do not recall ever getting very worked up about Korea when I went to Sunday school.

In recent decades a succession of subsequent events has gradually raised the level of Canadian awareness of the Middle East and its problems. These include the Suez crisis of 1956, the Arab-Israeli war of 1967 and the renewal of this war in October 1973. Canadian peacekeeping troops first became involved in the area in 1954 and have continued to be present since that time although not now in large numbers. Perhaps the principal development which focussed the average Canadian's attention closely on the area was the sudden, unilateral escalation of petroleum prices in 1973 following the creation of OPEC and the decision of the Arab countries to use the 'oil weapon' in support of their struggle with Israel. The Arab states' summit meeting in Algiers in November 1973 ended with a resolution on Arab oil policy declaring that the conference had "decided to continue the use of oil as a weapon until the withdrawal from occupied Arab lands is realized and the rights of the Palestine people are assured". Lists were drawn up classifying outside states into friendly countries, neutral countries and "countries supporting the enemy", i.e., Israel. Consumers and the business community alike in the industrialized countries were quickly and directly affected by the impact of the Arab oil embargo and production cutbacks. Then, a few years later, just as the industrialized countries were adjusting to the first oil shock, the drama of the Iranian revolution unfolded resulting in even higher oil prices and the hostage incident at the United States Embassy in which Canada became involved.

The Committee received an order of reference from the Senate directing it "to examine and report upon Canada's relations with countries of the Middle East and North Africa". Accordingly, the Committee's study has encompassed a general examination of Canada's trade and energy relations, its development assistance

2. Canada-Middle East and North Africa Relations

programs, peacekeeping contributions and immigration links. Inevitably the Committee gave much of its attention to the Arab-Israeli conflict. This was partly because it seemed in the national self-interest to try to assess to what extent this conflict was likely to spread or to erupt into a major conflagration and what Canada's posture should be relative to it. It was also because Committee members became increasingly aware of the deep concern about the Arab-Israeli dispute which was growing beyond the confines of the Middle East. Therefore it has been impossible in a study of this kind not to give prominence to this issue. However, the Committee has not presumed to offer any new peace proposals to the countries involved. Rather it has concentrated on questions on which the Canadian government might have to take a position as well as on Canada's bilateral interests with the main countries of the region. Finally, the growth of Canadian links, mainly in trade, with the francophone countries of North Africa were examined.

In carrying out this study, the Committee has heard testimony from 63 witnesses in Ottawa. (A list of witnesses is attached in Appendix A to the report.) A Sub-committee consisting of Senators van Roggen (Chairman), Buckwold, Hicks, Lapointe, Macquarrie, Murray, and Roblin was formed to visit the Middle East for an on-site study of problems in the area*. During the month of November 1983, the Sub-committee visited Egypt, Saudi Arabia, Syria, Jordan and Israel. The Sub-committee's report on its visit was submitted to the full Committee in February, 1984 and the report itself was annexed to the Committee proceedings for March 7, 1984. (Number 1, Second Session of the 32nd Parliament).

* Unfortunately on the day of departure, the Chairman, Senator van Roggen was taken ill and obliged to go to hospital. Senator Hicks was chosen as Chairman in his place.

II SECURITY IMPLICATIONS

The Middle East situated at the point of confluence of three continents—Europe, Asia and Africa—has long had strategic significance. The Suez Canal offered a short-cut between Britain and its Far East dominions and represented the critical communications link at the height of the British Empire. More recently, Middle East oil, representing about 60 percent of the world's known oil reserves and about 23 percent of current non-Communist production, has given the area a strategic importance. That oil is, in varying degrees, the lifeblood of the industrialized economies and the foundation of their prosperity.

Yet throughout the past thirty years, it has been hard to find a more unstable or volatile region. Governments in the Arab states and in Iran (the one non-Arab Moslem state in the region) range from monarchies to radical military dictatorships. Many leaders have been subject to military coups or assassinations. While the Arab states can almost invariably all agree on pronouncements sharply critical of Israel, professions of Arab unity seem to lack substance. Ancient rivalries persist and new rivalries have emerged. Many of the Arab states have been at war, or on the verge of war, with one or more of their neighbours in recent decades.

Nor does Islam provide a religious and social cohesion among Arab countries. In fact, the contrary is true. Religious disagreements that divide Moslem countries and provoke internal disputes go back to the time of the Prophet Mohammed's death, when conflicting claims led to schisms such as the one between Sunni and Shia Islamic groups. These traditional divisions spawn current offshoots, of which the Islamic fundamentalist movement is currently causing the most social ferment.

The rivalries, new and old, the continuing battles, the oil wealth, and the strategic significance of the region have combined to make the Middle East one of the most highly militarized areas in the world. At this time there are not one but two, and perhaps three, arms races going on in the area. One is the Arab-Israeli arms race involving mainly Israel and Syria and to some degree Egypt and Jordan as well. The United States offers military equipment to some Arab states, principally Egypt, Jordan and Saudi Arabia and is Israel's principal supplier of up-to-date sophisticated weapons on extremely advantageous terms. As for Syria, the scale of recent Soviet military support has been extensive, replacing with updated versions all tanks and planes lost in the 1982 war in Lebanon and furnishing the most sophisticated missile and electronic defence systems, not to mention some 7,000 Soviet advisors. In addition, neither Lebanon's warring factions nor the Palestinian guerrillas seem to lack weapons.

The second arms race is in the Persian Gulf area where Iraq and Iran are flaying each other with arms supplied by a variety of sources from both East and

West. In addition, Saudi Arabia and the small Gulf oil states, nervous not only of being drawn into their neighbours' bloody battle but also of the target they themselves represent with their enormous oil revenues, have stepped up their military expenditures. Saudi Arabia's conservative monarchy is also uneasy about the possibility that Iran's firebrand type of Islamic fundamentalism will spread across the Gulf. Finally, militarily well-equipped but unpredictable Libya is stirring up trouble throughout the area. All in all, the whole region is bristling with armaments that are continually being upgraded. On top of all of this, Israel is believed by many Arabs to have some kind of nuclear capability and Egypt, Libya, and Iraq all have active nuclear research programs, a fact which causes apprehension in Israel. Not only do these developments increase the sense of insecurity that prevails in the region, but they also are the cause of a wider international apprehension.

As a western industrialized nation, Canada has a deep interest in the stability of the Middle East and is concerned that a major international confrontation should not erupt from the several conflicts which persist in this volatile region including the Arab-Israeli dispute, the continuing turmoil in Lebanon and the Iran-Iraq war. In respect to the stability of oil supplies, while Canada imports very little Middle East oil at present, it is committed through the International Energy Agency to share its own supplies in the event of an international shortage. Thus, a cut-off of Gulf states' oil could affect not only Canada's oil imports from the Middle East and elsewhere but even its domestic oil supplies. Further, Canada has growing trade ties with Arab states which are likely to flourish only in a stable environment. Finally, Canada has an interest in the peaceful resolution of the Palestinian problem and the Arab-Israeli dispute from the perspective of its traditional friendship with, and support for, the state of Israel. Canada was deeply involved in the partition plans leading to the creation of Israel 37 years ago and remains committed to its existence as a viable state in the area.

III THE ARAB-ISRAELI CONFLICT

In the Arab-Israeli dispute, Canadians like others face the difficult task of assessing an issue based on two interpretations of deeply-rooted historical experiences. The problem is exacerbated because both sides appear to have right, or an element of right, on their side. **This report frequently records opposing perceptions held by the parties involved in the Arab-Israeli dispute as these are important if one is to understand the positions which each has adopted.**

For most Jews, the creation of the state of Israel in 1948 represented the fulfillment of a Biblical prophecy. The Zionist movement, a dynamic expression of Jewish nationalism propelled particularly by vicious persecution in Eastern Europe, sought a national home in Palestine for the Jews. In 1922 the British, who were formally granted a Mandate for Palestine by the League of Nations, restated the Balfour Declaration* which declared that the British government "view with favour the establishment in Palestine of a national home for the Jewish people".

But there were major obstacles to this objective, not the least being that in Palestine at the time the Arabs, both Moslem and Christian, constituted 92 percent of the population and owned 98 percent of the land. They bitterly opposed the Balfour Declaration and Jewish immigration. Meanwhile, Jews especially from Europe were making their way to Palestine in increasing numbers. Both Jews and Arabs, each for different reasons, became concerned to see an end to British mandatory control. Violence and guerrilla activity became increasingly commonplace.

In Palestine, by 1947, Britain, faced with an increasing Jewish population, growing civil strife and international pressure to end its Mandate, referred the question of Palestine to the United Nations. A United Nations Special Committee, UNSCOP, was established to report on the situation. Its majority report led to the UN partition plan of 1947, endorsed by UN Resolution 181, which proposed that Palestine be divided into two states, one Jewish and one Arab, with Jerusalem as an international zone, administered by the United Nations. The Jews accepted the plan, but the Arabs did not. In April 1948, when the British relinquished their Mandate, the Jews proclaimed the existence of the state of Israel within the UN partition plan borders. Palestinian Arabs, supported by the forces of neighbouring Arab states, attacked the new state. By the time the hostilities ended with an armistice in 1949, both Israel and Jordan had extended their borders. Israel had occupied additional territory, including West Jerusalem, not in the original UN plan, and Jordanian forces had occupied a large portion of Palestine west of the Jordan River including East Jerusalem, an area which Jordan proceeded to annex in 1950. This step was recognized immediately by Britain and later by Pakistan but it did not secure further

* A letter written in 1917 by the British Foreign Secretary to Lord Rothschild acting for the Zionist Federation.

international support. Egypt assumed a protectorate type of administrative control over the Gaza Strip but did not annex it.

Meanwhile Palestinian Arabs were fleeing the area. Before the British Mandate was terminated in 1948, 400,000 Arabs had evacuated their homes and become refugees in neighbouring Arab countries. By the time the armistice was signed, another 400,000 Arabs fled from the additional territory conquered by Israel and in the course of the next year about 300,000 left the West Bank, now under Jordanian control.

The Arab perception of the central issues of the dispute was expressed by President Hosni Mubarak of Egypt during a visit to Canada in February 1983, at a special joint meeting of this Committee with the House of Commons Committee on External Affairs and National Defence.

The problems in the Middle East are not solved because the Palestinian problem is very much part of the greater problem. Tension will grow in the area; problems will keep existing in the area because the main problem is not solved. Unless we solve the Palestinian problem, peace will never prevail. Let us be frank and live in reality. The conflict in the Middle East started because of the Palestinian problem. These people cannot find a home, cannot find a place of their own. They are distributed here and there in every country. Some countries do not want them. Others accept them for a certain period of time. But whenever you accept any Palestinian in your country, the first question you hear is "When are we going to go back home?"

These people are denied everything, their rights, their home. It is hard to even imagine such a thing. It is a terrible thing. But the problem should be solved for the Palestinians. It is the core of the whole problem. We have solved a little part of the problem in that [the Israelis] withdrew from our territories. But it is only a part. We still have the main problem existing which is the Palestinian problem. (26:19)*

Arabs are in general agreement on the origins of the dispute. Mr. Sami Hadawi of the Canadian-Arab Federation is a Palestinian now living in Canada. Before the Committee he summarized his perspective:

The history of Palestine is a sad one. It began in 1917 with the Balfour Declaration where, ironically, one nation promised the country of another to a third party, which had the effect of uprooting the Muslim and Christian indigenous inhabitants in 1948 in favour of an alien people, and thereby created the 'wandering Palestinian' whose only crime has been that he wished to live in peace and freedom in his own homeland. (44:8)

Most Israelis, on the other hand, view the origins of the situation quite differently:

Israel's birth and the history of its first two millennia in its Land are recorded in the Bible, and Jewish habitation there continues to this day. International recognition of this connection of the Jewish people with the Land of Israel found expression in the Balfour Declaration of 1917, which was in turn incorporated in the League of Nations Mandate in 1922, and in the United Nations partition resolution of 1947, which paved the way for the re-establishment of the Jewish state. . . . Despite successive invasions, and during centuries of anarchy and neglect, war and persecution, there were always Jews living in the Land of Israel, fortified by the faith that one day Jewish sovereignty would be restored and the Jewish homeland rebuilt. Those Jews who lived in exile, dispersed throughout the world, never forgot their connection to the Land nor gave up their dream

* Footnotes after quotations in this report refer to Committee proceedings and indicate the issue number and page number. Quotations from evidence taken during the first and second sessions of the 32nd Parliament are indicated by the issue and page numbers; thus for the first session (24:32) and for the second session (11, 3:14).

of return. And there was never a period over the last 19 centuries without Jewish immigration to the Land.

Israel Information Centre 1983, *Israel: The Record, the Heart of the Matter. The Crux of the Arab-Israeli Conflict*.

The Canada-Israel Committee put it this way:

The core of the Arab-Israeli conflict lies in the refusal of the Arab countries, with the recent exception of Egypt, to accept the legitimacy of Israel as a Jewish state in the Middle East. The pattern of Arab rejection began in the early days of the British Mandate, and proceeded through rejection of the compromise proposals suggested by the Peel Commission in 1937, and of the partition plan proposed by the United Nations in 1947. Unable or unwilling to come to terms with the establishment of Israel, 5 Arab governments ordered their armies to invade the new state. Following the signing of the Armistice Agreements in 1949, the Arab states refused to enter into negotiations leading to peace treaties. Similarly they rejected the possibilities offered by the Camp David Accords in 1978, just as they had rejected every other initiative for peaceful co-existence in the intervening three decades. (35A:4)

The hearings and the Sub-committee's travels in the Middle East have convinced the Committee that there can be no resolution of the Arab-Israeli dispute until there has been agreement on how to accommodate the Palestinian people while at the same time ensuring the security and legitimacy of Israel. Palestinians are too numerous, too articulate and determined, too well-connected to the rest of the Arab world to make it possible for Israel to come to some agreement with its Arab neighbours that would ignore the Palestinians.

During the 1970s, Western industrialized nations, concerned about their dependence on Middle East oil, began to pay more attention to the grievances of Arab nations, and especially to the cause of the Palestinians. On humanitarian grounds, there was increased sympathy in Canada and elsewhere for the plight of the Palestinians, both in the refugee camps and in the occupied territories. An additional factor in a changing international viewpoint toward the Palestinians was Israel's attitude which seemed to harden after 1977 when the Likud party came to power and implemented a number of controversial policies: it started to give active encouragement to Jewish settlements in the West Bank, it formally annexed East Jerusalem and applied Israeli law to the Golan Heights, Israeli ministers made frequent assertions of Israel's right to sovereignty in the West Bank, and the Israeli government dismissed or expelled elected mayors in the occupied territories. There was also Egyptian President Sadat's peace initiative, dramatized by his trip to Jerusalem and his speech in the Knesset. Finally Israel's 1982 invasion of Lebanon and its bombing of Beirut modified the widespread perception of Israel as the besieged underdog. All these developments generated greater awareness of and support for the rights of the Palestinian people.

Jerusalem is a special situation, complex, intractable, and evoking even more emotion than the West Bank and Gaza. While the future of the occupied territories is of greatest concern to Palestinian Arabs, the fate of Jerusalem is of key religious significance to a much wider international community. Access to the Holy Places in the city is of prime importance to Jews, Moslems, and Christians alike. For Jews, Jerusalem is the city of David and Solomon. The Rock that sits atop the ruins of

Solomon's Temple is also the place where Abraham prepared his sacrifice and Jacob later rested his head. For Christians, Jerusalem is the Holy City where Christ was crucified, buried, rose again, and ascended into Heaven.* For Moslems, the Dome of the Rock is one of the three holiest monuments of Islam and a traditional place of pilgrimage as the site where the Prophet rose up to God.

By the original UN Resolution 181, based on the majority UNSCOP recommendation of 1947, Jerusalem was to be internationalized. At the time, Israeli leaders supported the idea. The Arabs did not. Hostilities overtook this plan and when the armistice was signed in 1949, Jerusalem was divided, with East Jerusalem, containing almost all the holy places, in Jordanian hands and the new western part held by the Israelis. The armistice lines drawn through the city were subsequently confirmed by a UN Conciliation Commission. Both Israel and Jordan claimed full sovereignty over the respective portions of Jerusalem under their control. These claims were not recognized internationally. From 1950 to 1967 the status quo prevailed and there was no real international effort to modify either Israel's or Jordan's position on the question of Jerusalem.

After the 1967 war, the Israeli government immediately removed the barriers between East and West Jerusalem and extended the Jerusalem city boundaries to include the surrounding Arab villages and hills. The Western or Wailing Wall, a Jewish holy site where Jews had been forbidden to worship under the Jordanian administration, was given exposure in a vast open plaza by the removal of Arab-owned buildings. The old Jewish quarter which had been largely destroyed by the Jordanians was restored and rebuilt. In 1967, UN Resolutions ruled that Israel's effective annexation of East Jerusalem was invalid and called on Israel not to take any measures to alter the status of the city. For its part the Israeli government made no effort to mask its determination to establish itself permanently in all of Jerusalem. In 1980, the Knesset enacted a law that formally annexed Jerusalem and stated that never again would Jerusalem, the capital of Israel, be divided.

Another serious point of Arab-Israeli dispute, in this case between Israel and Syria, is the Golan Heights, a hilly area dominating Lake Tiberias. During the Six Day War of 1967, Israel captured the Syrian fortifications on the Golan Heights from which Israeli settlements were being shelled and advanced to the Syrian town of Quneitra on the road to Damascus. In a surprise attack during the 1973 war, Syrian forces surprised and overran the Israeli lines on the Golan Heights, but were subsequently driven back to within 30 kilometers of Damascus.

A disengagement agreement between Israel and Syria was worked out by Secretary of State Henry Kissinger in 1974, endorsed by the United Nations. This agreement has been policed successfully by a United Nations Disengagement Observer Force (UNDOF) ever since, see page 82.

In 1981 the Likud government applied Israeli law to the Golan Heights, a move interpreted internationally as tantamount to annexation. The action, which the

* There is some disagreement over the site of Christ's crucifixion and resurrection and many Christians believe that these events took place outside the walls of the old city of Jerusalem.

government justified in terms of security, was an explicit indication that Israel intended to extend its sovereignty to the area. Israel's action has not received any international sanction.

Syria has been particularly critical of any direct bilateral dealings by Arab states with Israel, insisting on a comprehensive solution that must be acceptable to the whole group of Arab states.

A. Peace proposals

Because the Palestinian problem is central to the Arab-Israeli dispute, this report gives considerable emphasis to the efforts made to achieve a settlement including the various peace proposals that have been launched since the Israeli occupation of the West Bank and Gaza in 1967. Until September 1982, there were basically only two documents under consideration as frameworks for Middle East peace talks: UN Resolution 242 of 1967 and the Camp David Accords of 1978. In early September 1982, President Reagan's Plan and the Fez Declaration of Arab states introduced some promising new elements and added two more bases for negotiations.

Unfortunately, possibilities for progress ebbed by mid-1983. Two of the key participants, Yassir Arafat, leader of the Palestine Liberation Organization (PLO), and King Hussein of Jordan, failed to conclude an agreement at that time on a negotiating mandate under the Reagan Plan. The United States, preoccupied with deteriorating events in Lebanon and then increasingly engaged in its election process, progressively withdrew from actively pressing the key players. Israel too became involved in an election in which the state of the economy and the withdrawal of its troops from Lebanon were the dominant issues. Arab governments for their part seemed preoccupied with the unfolding of the Iran-Iraq conflict which threatened to sweep them in, with the rising tide of Islamic fundamentalism, and with the efforts of the Lebanese factions to resolve their differences and achieve some semblance of a national government. An uneasy hiatus prevailed during 1984.

Prospects brightened somewhat early in 1985. Following the Israeli elections in July 1984, a coalition government was established, led by the Labour Party leader, Shimon Peres, who had advocated a more moderate approach to the peace process than his predecessor. The new government moved unilaterally to withdraw its troops from Lebanon in three phases. On the Arab side, the two moderate states of Jordan and Egypt reconciled their differences. At the November 1984 meeting of the Palestine National Council in Amman the split in the PLO had been confirmed leaving Yassir Arafat still in control of the more representative part. A flurry of diplomatic activity took place in February and March 1985 after King Hussein and the PLO leader reached an agreement providing for a joint Palestinian-Jordanian negotiating team. Pressure appeared to be building for renewed negotiations.

The four basic plans for negotiations are:

1. *UN Resolution 242**

The essence of UN Security Council Resolution 242 lies in a trade-off between territory and peace. Passed unanimously by the Security Council following the 1967 Arab-Israeli war, the resolution was accepted by Israel, its neighbouring Arab states of Egypt, Jordan, and eventually, Syria. As a member of the Security Council, the Soviet Union voted for it. Resolution 242 has never been formally and explicitly agreed to by the Palestine Liberation Organization. Some contend that in 1982 the PLO implicitly agreed to its terms when it endorsed the Arab states' Fez Charter and a comparable indirect endorsement appeared to be included in the terms of the February 1985 Jordanian-PLO agreement for a joint negotiating team. However the underlying principles of UN Resolution 242 still remain a matter of great controversy within the PLO.

UN Resolution 242 calls on Israel to withdraw from occupied territories, contingent upon Arab commitments to accept an Israeli state within mutually-agreed and recognized borders. It does not mention Jerusalem specifically. The Resolution was rejected by the PLO because of the fact that it refers to the Palestinians in terms of a refugee problem rather than as a group with national or political rights, taking a humanitarian rather than a political approach to resolving their problem.

The basic terms of UN Resolution 242 of 1967 are as follows:

- (i) Withdrawal of Israeli armed forces from territories occupied in the recent conflict;
- (ii) Termination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force.

Aside from the Palestinians' objections, it has been the resolution's 'withdrawal' clause that has caused most general controversy and differing interpretations. The Arab governments insist the clause, cited above (i), means Israel must withdraw entirely from all territories occupied in 1967 with only minor frontier adjustments, while Israel asserts that the extent of its withdrawal is left open to ensure the military security of its borders. Specifically, Israel has disputed any commitment to withdraw on *all* fronts, namely, Syria, Sinai, West Bank and Gaza. Indeed with its decision in December 1981 to apply Israeli law to the Golan Heights, which it had occupied in 1967, Israel appeared specifically to ignore the terms of Resolution 242 with regard to that area.

* Another Security Council resolution, UN Resolution 338, was passed in 1973 during the October war, calling on all parties to agree to a ceasefire, to implement Resolution 242 and to begin negotiations. Resolution 338 is regarded as an amplification of Resolution 242 in that it is designed to promote negotiations under that resolution. While it is not always mentioned along with Resolution 242, the two are considered complimentary.

Despite these differences, King Hussein who had been actively involved in the original drafting of the Resolution, told Committee members in Amman that as far as he was concerned, Resolution 242 was "still the cornerstone of every initiative" for a peaceful settlement, and if Jordan were to be involved, it would be on that basis. He was sharply critical that the United States had not moved immediately in 1968 to press Israel to withdraw from the West Bank and Gaza under the terms of the Resolution, as he claimed President Johnson had assured him would happen. While the King did not succeed in incorporating an explicit reference to Resolution 242 in his February 1985 pact with Yassir Arafat, the principle enunciated of the "total withdrawal from territories occupied in 1967 for comprehensive peace as established in United Nations and Security Council resolutions" is considered by most Palestinians to refer to it. In Damascus, Mr. Al-Fahoum, at the time Chairman of the Palestine National Council (PNC), told the Sub-committee that the Fez Charter which the PLO had adopted was an "unambiguous substitute for UN Resolution 242".

Both the Camp David Accords and the Reagan Plan incorporated the essentials of Resolution 242 in their basic outlines. As negotiators for these later peace plans discovered, UN Resolution 242 remains the most practical and perhaps the most useful document on which to begin negotiations for a comprehensive peace settlement.

2. The Camp David Accords

It was the courageous initiative of President Sadat in going to Jerusalem that unblocked the decades of Arab-Israeli hostility sufficiently to bring about the conclusion, with U.S. assistance, of the Camp David Accords of 1978. There are two parts to this agreement. Under one part, which deals with the Israeli-Egyptian peace treaty, Israel agreed to undertake a total withdrawal of its military forces and civilian settlements from the Sinai peninsula, which it had occupied during the 1967 war, in return for a formal peace treaty, demilitarized zones in the Sinai, and the normalization of relations between the two countries. The Israeli withdrawal was carried out on schedule. Israel gave up the productive oil fields that it had developed in the Sinai as well as its military bases, but it gained the security of knowing that another full-scale Arab-Israeli war was unlikely without Egyptian participation. Like Egypt, Israel was promised large-scale U.S. military assistance. The treaty with Egypt represents a model that Israel would clearly like to repeat with other frontline Arab states.

Much more controversial is the other part of the Accords, which deals with the Palestinian problem. A framework for negotiations, initially to involve Egypt, Israel, and Jordan, was designed to achieve "full autonomy with an elected self-governing authority" for the inhabitants of the West Bank and Gaza. When this self-governing authority was in place, a withdrawal of Israeli armed forces would occur and a transitional period of five years would begin, during which negotiations would take place to establish the final status of the West Bank and Gaza. Early talks held under this plan dealt with—and made some progress on—a detailed enumeration of the powers and responsibilities of the proposed Palestinian self-governing authority.

But by 1982, the talks stalled over the meaning of 'autonomy', which the Begin government was interpreting as applying 'to the people not the land'; over the eventual goal for the area after the transition period; and over the question of whether Palestinians living in Jerusalem could vote for the self-governing authority. For their part, responsible Jordanians and Palestinians were reluctant to become involved, feeling there was nothing in the Israeli position to encourage meaningful negotiation. Also, by the summer of 1982, the Israelis were preoccupied with the invasion of Lebanon.

Camp David paid extensive attention to security arrangements both during the transitional phase and as an integral part of a final settlement. It did not specify borders, nor did it speak of the problem of Jerusalem although it caused considerable debate during negotiations. Prime Minister Menachem Begin refused to accept any language implying that the future status of Jerusalem was an issue for negotiations or related in any way to the autonomy process. President Sadat, for his part, wanted Israel to agree to fly a Moslem or Arab flag of some sort over the Islamic holy places of Jerusalem. But Mr. Begin resisted even the compromise proposal for a plain green flag, so the subject of Jerusalem was omitted.

The Accords also did not prejudice the final outcome of negotiations for the West Bank and Gaza after the transitional arrangement, and unlike the later Reagan Plan, it was silent on the question of ultimate sovereignty. During the Camp David negotiations, Israeli officials took the position that the withdrawal clause of UN Resolution 242, because it was not all-inclusive and was not specific as to which "territories occupied" by Israel were being referred to, did not obligate Israel to withdraw from the West Bank and Gaza.* Indeed, during the Camp David negotiations and after, the governments of Israel under Prime Ministers Begin and Shamir were careful to avoid giving any undertaking to withdraw from the West Bank. Nevertheless, Israel did, in the Camp David Accords, agree for the first time that any negotiated settlement would "recognize the legitimate rights of the Palestinian people and their just requirements".

As a signatory to the agreement, Israel has supported the Camp David peace process. Former Prime Minister Shamir, who had originally opposed it and abstained in 1979 in the Knesset vote, told Committee members in November 1983 he considered it was his duty to support that process. He made it clear that Israel was not satisfied with the 'cold peace' which had developed with Egypt and the withdrawal of the Egyptian Ambassador from Israel. The Israeli Ambassador in Egypt felt isolated, Mr. Shamir continued, and referred to the continual anti-Israeli, anti-Semitic propaganda in the Egyptian media. On the other hand, President Mubarak told the joint Committees that Egypt had taken "the risk of peace" with a bold and determined action, but he was of the opinion that Israel was not now living up to its commitments. In addition, he said that the Israelis had reneged on a promise, made by Israel to President Sadat, that they would not call for Camp David negotiations to be held in Jerusalem. Egypt was insisting that Jerusalem was still an

* In the view of Cyrus Vance, the U.S. Secretary of State at the time, this Israeli position constituted a repudiation of its official position of 1968 on Resolution 242 for withdrawal on all fronts and of Begin's own undertaking in June 1977 to honour the commitments of previous Israeli governments.

important point for discussion; a negotiating meeting there, in light of Israel's unilateral annexation of that city, was impossible in Cairo's view.

The Camp David process was endorsed by the Canada-Israel Committee and by Mr. Edgar Bronfman, President of the World Jewish Congress, who told the Committee that both the World Jewish Congress and the Canadian Jewish Congress considered the Camp David Accords as "the only hope for a just settlement".

Palestinians and Arab states other than Egypt refused to endorse both the Camp David initiative and the subsequent arrangements. While the agreement achieved a bilateral peace treaty between Egypt and Israel, a number of witnesses told the Committee it had done little to solve the Palestinian problem. For example Mr. Naji Farah, a member of the Canada-Palestine Solidarity Committee, said that the Camp David Accords "fail to address the core of the problem in the Middle East which is the Palestinian problem—the Palestinian right to statehood and to national identity in their own land".

Another spokesman for this group, Mr. Khaled Mouammar, was concerned that the Palestinians themselves had no say in the first phase of the Accords that would affect them centrally. Under the terms of the Accords, Israel, along with Jordan and Egypt had been given a veto over the selection and participation of Palestinian representatives and must agree to the terms for the establishment of Palestinian autonomy in the West Bank and Gaza. King Hussein was critical of the Camp David Accords, commenting to the Sub-committee that his country, though centrally involved, had not even been consulted. He too objected to the fact that Israel had been given the right of veto.

A further disappointment to many witnesses was the fact that the Accords said nothing about the Israeli settlements on the West Bank although, as Mayor Elias Freij of Bethlehem pointed out to the Committee, this question had been discussed thoroughly at Camp David. He recounted that President Carter thought that he had received a firm undertaking from Prime Minister Begin to stop the settlements as soon as the negotiations planned under the agreement began. However right after the Accords were signed, Israel said it had only committed itself to halt settlements for 90 days. The Bethlehem Mayor was critical of the vagueness of the 'autonomy' concept for the Palestinians and particularly of Israel's interpretation of the term to mean only limited administrative control.

While the Camp David Accords have not resolved the Palestinian problem, and even though both Israel and Egypt have certain misgivings, it is evident that each government stands by the agreement and values the benefits it has brought. On balance it can be said to have stood up well in bilateral terms.

3. The Reagan Plan

A third basis for negotiations is President Reagan's 'fresh start' proposal of September 1, 1982 calling for a resumption of the Camp David autonomy talks. These talks had been intended to lead to the election of a Palestinian self-governing

authority in the West Bank and Gaza and a five-year transition period to work out a final status for the territories. What was new in the American position was the President's proposal that, after the five-year period, the West Bank and Gaza under Palestinian self-government should be associated with Jordan. Israel would surrender its claims and control over the occupied territories. The President also called for a freeze on settlements, although he did not specifically declare them illegal as the Carter government had done. He urged the Palestinians to recognize Israel's right to exist and the Arab states to accept the reality of Israel and the possibility of a negotiated settlement. President Reagan cited UN Resolution 242 as the valid "foundation stone" for negotiations and endorsed the 'territory for peace' concept. Although he did not ask Israel to withdraw to its pre-1967 borders, he said that the withdrawal provision of Resolution 242 applied on all fronts. He explicitly rejected the PLO as a suitable negotiating partner until it accepted UN Resolutions 242 and 338.

The Reagan Plan went well beyond Camp David but most observers judged it to be consistent with the earlier agreement. The new plan attempted to involve Jordan directly. Whereas Camp David's autonomy concept had been interpreted by Prime Minister Begin as being a kind of limited administrative autonomy for the *people*, not the *land*, of the West Bank and Gaza, the President defined autonomy explicitly as "real authority over themselves, the land and its resources".* While the outcome of the Camp David process theoretically could have allowed Israel to annex or retain permanent control over the West Bank and Gaza, the Reagan Plan blocked such an outcome by specifically proposing Jordanian association. It also, implicitly and explicitly, excluded an independent Palestinian state. Whereas Jerusalem had been intentionally omitted from the Camp David Accords, President Reagan's plan dealt with it, stating that Jerusalem must remain undivided, but adding that its final status should be decided through negotiations.

Within three hours of the presentation of the Reagan Plan, the Likud government rejected it, asserting it was against the spirit and letter of the Camp David Accords. Three days later it announced the allocation of funds for new settlements in the West Bank and Gaza. This response was widely perceived as a further rejection of the Reagan Plan which explicitly opposed further settlements. In his Knesset speech explaining his refusal of the Plan, Prime Minister Begin declared "If anyone wants to take Judea and Samaria from us, we will say 'Judea and Samaria belong to the Jewish people to the end of time'."

The opposition Labour party in Israel supported the Reagan initiative, saying they saw some hope for peace in it. The national unity government of Israel formed in September 1984 and led by Mr. Peres of the Labour party has not yet taken a formal position on the Reagan proposals.

The PLO equivocated for some time over the Reagan Plan. Then in 1983 the PLO Executive Committee repudiated a tentative agreement between King Hussein and Yassir Arafat, worked out laboriously to give Jordan a mandate to negotiate on

* Early in 1983 former President Carter who negotiated the Camp David Accords with Prime Minister Begin visited the area and by his statements challenged the Israeli Government's narrow interpretation of the meaning of 'full autonomy' in the Camp David Accords.

behalf of the Palestinians. In doing so, they also rejected the Reagan Plan. The then Chairman of the Palestine National Council explained to Sub-committee members in Damascus that the PLO had objected to the Reagan Plan because "it made no mention of the PLO, it said nothing of the Palestinian right to self-determination, and also because the borders of Palestine were to be determined only by Israel and Jordan". Further, he asked why Jordan should negotiate in the name of the Palestinians; Palestinians themselves must be part of the process. In 1984, Mr. Zehdi Terzi, the Permanent Observer of the PLO to the United Nations, told the Committee in Ottawa that it was unclear what the PLO was supposed to authorize King Hussein to negotiate about on their behalf. The King had been asked by the PLO if he were going to negotiate an Israeli withdrawal to pre-1967 borders but he could not give any assurance of a strong enough U.S. commitment to implement Resolution 242. That was the reason the PLO had given the Reagan proposals a qualified rejection, Mr. Terzi said. When the PLO leader reached an agreement with Jordan on February 11, 1985 for joint action in negotiations, the PLO Executive Committee issued a "clarifying" statement about a week later in which the Reagan Plan was rejected as a basis for the agreement.

On the other hand, the Committee learned of widespread support for the Reagan Plan from many of its witnesses and interlocutors, and notably from representatives of the Arab states. While Prince Saud, the Saudi Arabian foreign minister, was critical of the omission of a provision for Palestinian self-determination, he thought the plan could be a useful starting point for negotiations. King Hussein called the President's proposal a "courageous and positive" initiative. His foreign minister said that, since Jordan was more centrally involved than any other Arab state, it was "prepared to take a calculated risk for the sake of peace" and support the proposal. When President Mubarak spoke to the meeting of the joint Committees, he said that Egypt considered the Reagan Plan to be a further development of Camp David; he had been encouraging the Jordanians to try to find a link with the Palestinians so negotiations would be possible. The Egyptian president stated that a Palestinian entity on the West Bank should be linked at least initially to Jordan, as the Reagan Plan had proposed, in order to calm the Israelis' security concerns.

Mayor Freij of Bethlehem told the Committee that as a West Bank Palestinian, he accepted the Reagan Plan. "I accepted it because if we lose the West Bank and Gaza we lose everything. I thought we had better hang on with the Reagan Plan and get the peace process moving". He added that it was an improvement on Camp David but questioned whether the United States was really serious about it "because as soon as President Reagan announced it, Israel countered by deciding to make 57 new additional settlements and American dollars are being utilized one way or the other to continue to build these settlements".

Revealing a less pragmatic approach than Mayor Freij, the Canada-Palestine Solidarity Committee rejected the Reagan Plan because it predetermined a relationship between a Palestinian state and Jordan and did not allow the PLO to take part in the negotiating process. The Canada-Israel Committee said it only accepted the Reagan Plan to the extent that it was consistent with the Camp David

Accords, which left open to question whether they supported the key elements of eventual Jordanian sovereignty over the West Bank and Gaza and a freezing of settlements. In their brief, they emphasized that Canada should have a policy of "not prejudging the outcome" of the eventual negotiations, a policy which "should apply to all options including that of eventual Israeli control".

4. The Fez Charter

In September 1982 at Fez, Morocco, the Arab heads of state summit meeting issued a declaration specifying an agreed Arab framework for a peace plan. It was a modified version of a plan set forth in 1981 by the then Crown Prince Fahd of Saudi Arabia. The Fez Charter seemed to recognize the basics of Resolution 242 of trading territory for peace. In contrast to the Camp David and Reagan proposals, it came down firmly for an independent Palestinian state, although the Arab leaders refrained from specifying the borders of such a state. Further, it called for the dismantling of Israeli settlements in the occupied territories. Under the Fez Plan, East Jerusalem would be the capital of the independent Palestinian state.

At Fez, the Arab leaders implicitly recognized for the first time the right of the state of Israel to exist when they declared that all states in the region should have the right to a peaceful existence. There were, however, few specifics. The only mention of the transitional phase was a reference to a short period of three months, when the West Bank and Gaza would be under the control of the United Nations. There were no specific security arrangements spelled out other than that the security of the states in the region was to be guaranteed by the Security Council. The Soviet Union would be included in the process through its involvement in the UN Security Council and in the United Nations as a whole.

In addition to rejecting any thought of a redivision of Jerusalem as proposed at Fez, Israeli spokesmen have dismissed the implicit recognition of Israel in the Fez Charter. In view of the PLO Covenant, which continues to call for the destruction of Israel, they insist on an explicit recognition of the right of the state of Israel to exist. This explicit recognition by the PLO has not yet been given. The then Chairman of the Palestine National Council told Sub-committee members in Damascus in 1983 that the PLO had adopted the principles of the Fez Charter which included the right of all states in the area to live in peace including a Palestinian state and Israel. He stated that the PLO was committed to the Fez terms whether it liked them or not. He denied that the PLO now sought to drive Israelis "into the sea", reiterating that the PLO Covenant had been supplanted by the Fez Charter. The same approach was taken by Mr. Terzi who told the Committee in Ottawa that PNC decisions taken subsequent to the writing of the PLO Covenant had encouraged "progressive development". He continued:

the fact that the PLO accepted the Fez plan of the Arab Summit which calls for the establishment of a Palestinian independent state in the territory of Palestine which was occupied by Israel in 1967 is indicative of our reacting and inter-acting with the realities of life. (II, 3:15)

However, it is evident that the issue of recognition of Israel, like explicit endorsement of UN Resolution 242, continue to cause division within the PLO.

Quite apart from the position taken by the PLO to the principles enunciated at Fez, the Fez Charter, ambiguous and tentative as it was, did represent an achievement for those in the Arab world who argued that the fact of Israel's existence had to be publicly accepted. To achieve agreement of all Arab Heads of State to the Charter, Arab moderates must have had to argue against those Arabs who want to hold out indefinitely, even at the risk of losing the occupied territories. In the view of the hardliners, almost any negotiated settlement with Israel is unacceptable.

B. Israel

Since its creation only 37 years ago, Israel has emerged as a modern state with impressive achievements in industry, agriculture, scientific research, banking, and communications to name a few areas. Also impressive is its functioning as a parliamentary democracy. The Canada-Israel Committee called Israel "a hybrid democratic society wherein individual citizens participate in the political process on a daily basis". Any visitor to Israel can bear out this description of an open democratic society where the Israeli parliament, the Knesset, continuously subjects government policy to searching criticism and debate and where the media, particularly the written press, thoroughly airs all the major ideas of the day.

Any new state is confronted with enormous problems. An added complication in Israel's case has been its need to absorb not only Jews who chose to come to Israel from countries outside the area but over 500,000 Jewish refugees who fled from neighbouring Arab lands. In the face of these problems, Israel's progress has been remarkable. At the same time, Israel has been preoccupied with security problems and the need to protect itself, making all the more impressive its development as a modern state.

1. Israel's security concerns

Since UN Resolution 181, in 1947 Israel has fought five wars with one or more of its Arab neighbours. At the core of this ongoing conflict are the competing claims of Israelis and Palestinians for the same territory. Prior to 1967, the land under dispute was that part of Palestine apportioned to the state of Israel under the 1947 UN partition plan plus the area under Israeli control when the fighting ended in 1949 at the signing of the armistice agreements. After the 1967 war, the focus of dispute shifted to the land occupied by Israel in that war, including the West Bank, East Jerusalem, Gaza, the Golan Heights and Sinai.

Israel subsequently agreed to return in 1982 the largely unpopulated, somewhat remote Sinai region, with its oil resources, to Egypt under the terms of the 1979 Egyptian-Israeli peace treaty negotiated as part of the Camp David Accords.

No similar breakthrough has yet been achieved for the West Bank, Gaza or the Golan Heights. These territories—being on the one hand critically important to Israeli security and on the other hand occupied by 1.3 million Palestinians—remain the focus of dispute and at the centre of the peace process. In Israel's eyes they are linked not only to the question of its security but to its concern to gain recognition from the Arab states.

The Committee heard repeatedly that the overriding factor in Israeli policy formulation with regard to the occupied territories is the security of Israel. Geographically, Israel's vulnerability is obvious. The Canada-Israel Committee graphically pointed out to the Committee how the whole of pre-1967 Israel fits neatly into the narrow corridor between Montreal and Toronto, less than 250 miles in length and only 9 miles wide at its narrowest point. Israelis are greatly outnumbered in the area. Israel has a population of only 3.5 million people and it is bordered by the Arab states of Syria, Lebanon, Jordan and Egypt with a combined population close to 70 million people. Beyond these are other Arab states with populations of tens of millions more. Of all of these, only Egypt has recognized the right of Israel to exist. Israelis are naturally and understandably preoccupied with their security and their ability to survive as a nation.

The major threat to Israel comes from the armed forces of the neighbouring Arab states. During meetings in Tel Aviv, members of the Committee were given statistics as to the size and strength of surrounding Arab armies, an assessment of the sophistication level of Arab weapons and an estimate of the risks of intervention by various Arab states. While Israeli officials felt there was substantial Soviet influence in Syria, they did not consider direct involvement by the USSR itself to be a serious risk.

The Committee recognizes the depth of Israel's security concerns particularly in light of the repeated Arab threats to Israel's existence. However, it is also aware that Israel is militarily pre-eminent in the region today and that its army and air force are, for their size, perhaps the most effective in the world. This is so, particularly in swift, sharp encounters, although like other modern armies it is vulnerable to the sort of war of attrition it encountered in Lebanon. In addition, Israel has had active military assistance from the United States and can count on this in the future.

Because of the need for sufficient early warning time to permit its largely civilian reservist army to mobilize, no Israeli government can contemplate applying to the West Bank the Sinai pattern of withdrawal. The country's narrow waist would leave it too vulnerable to a concerted Arab offensive if it withdrew from the whole of the West Bank area. Moreover, even hand-held missiles fired from West Bank hills could hit civilian centres along the densely populated Mediterranean coast. The Canada-Israel Committee testified that

the total area of Israel is less than 8,000 square miles. Modern artillery placed on the West Bank could threaten 90 percent of Israel's civilian population and virtually all of her industrial and agricultural infrastructure; anti-aircraft missiles there would control Israeli air space and would threaten Israel's only link to the outside world, her sole

international airport, at Lod, and her most important port on the Mediterranean Sea at Haifa. (35:10)

The two major political parties in Israel have reacted somewhat differently to this situation. Applying the military concept of the need for strategic depth, the Likud government that led Israel from 1977 to mid-1984 based its defence policy on the judgment that Israel will be secure only if it can maintain control of all or most of the territory west of the Jordan River. In this it differed from the earlier Labour government, which had accepted the 'territory for peace' concept of the UN Resolution 242 with the implication that it was ready to withdraw from some, but not all, of the West Bank, providing Israel retained control of certain areas of strategic importance such as along the Jordan River.

A desire for peace and security provided the main impetus for Israel to conclude the Camp David bilateral peace treaty with Egypt in 1979. Egypt, with over 40 million people, has the largest Arab army. By its peace treaty with Egypt, Israel not only gained recognition from a major frontline Arab state but also neutralized its southern front and gained the strategic depth it needed through the demilitarization of the Sinai. It did, however, lose the forward bases it had constructed in the Sinai, some tourist facilities it had established along the shores of the Gulf of Aqaba and the valuable oil wells it had developed in the Gulf of Suez. Moreover, the government had to carry out the politically difficult task of removing Jewish settlements from the area. As for Egypt, while it gained the oil fields and received substantial U.S. economic and military aid, it suffered political ostracism and economic sanctions imposed by Arab states who withdrew Arab Ambassadors from Cairo, terminated economic aid, cut credit and removed the Arab League headquarters from Cairo to Tunis. The Arab states later asserted that Israel's invasion of Lebanon in 1982 was made possible by the security that Israel had achieved on its Egyptian front.

The normalization of relations between Israel and Egypt, including a little bilateral trade, progressed, albeit slowly, until 1982 when Israel's invasion of Lebanon caused a cooling. President Mubarak told the joint committee that Egypt considered the invasion to be a violation of the Camp David Accords which had agreed that a peaceful settlement was required. After the tragic massacres at Sabra and Chatilla, Egypt recalled its ambassador in protest. Former Israeli Defence Minister Moshe Arens described this recall as a violation of the peace treaty. A 'cold peace' developed between the two states, but Israeli tourists continue to go to Egypt, and Egypt continues to sell Sinai oil to Israel at concessional rates as provided for under the Camp David agreement. Some easing of the tensions was already noted at the end of 1984 when Israel and Egypt agreed to discuss the small disputed resort area of Taba on the Gulf of Aqaba. A further thaw is expected in the wake of the Israeli government's withdrawal of its troops from Lebanon.

Security concerns were said to have motivated the Israeli "Peace for Galilee" march into Lebanon in June 1982. The announced purpose was to clear PLO forces from a zone 40 kilometres north of the Israeli-Lebanese border where the PLO had rockets threatening the Galilee region. While this much-extended campaign was

successful from an immediate military perspective, the widespread international criticism it engendered together with the continuing casualties Israelis have experienced and the difficulties experienced by the Israeli government in withdrawing its forces have resulted in strong internal soul-searching and domestic controversy.

A calculus of the benefits and costs accounts for the controversy. The security gains seemed at first to have been substantial: the removal of PLO artillery north of the Israeli border, although this artillery had not been fired for more than a year before the invasion; the destruction or dispersal of PLO forces; and the eradication of the last base of PLO operations against Israel in an adjacent state. On the other hand, the invasion resulted in a strengthened and re-equipped Syrian presence in Lebanon despite the earlier defeat of Syrian forces, in a weakening of Israel's Phalangist allies, and a more hostile, more fundamentalist-inclined Shiite faction across the border in southern Lebanon. Arafat has remained as leader of the PLO, albeit a PLO which has suffered an internal split. Israel's treaty with Lebanon, which was drawn up under U.S. auspices ignoring Syria's role and influence in Lebanon has since been rejected by the Lebanese government. Israel had hoped this treaty would parallel its treaty with Egypt and lead to normal trade and diplomatic relations on its northern border. The war has been costly for Israel in human terms—over 600 soldiers killed and 4,000 wounded. Unlike Israel's previous wars, the Lebanese invasion aroused internal dissent and some reservists refused to serve in Lebanon. The economic life of the country has been subjected to enormous strain both directly, with the cost of the war and the occupation and indirectly, with the additional military service that Israelis have had to contribute. Internationally, Israel has lost prestige, as the media gave detailed coverage of the drive north to Beirut—far beyond the originally stated goal of 40 kilometres—and of the bombing of Beirut itself. Taken together, the developments arising out of the Lebanese invasion raised doubts in the minds of many Israelis about the efficacy of military solutions to security problems.

Israel's security depends on U.S. support, both military and economic. The United States is its main arms supplier, the source of large amounts of its military aid, and most recently, its partner in a U.S.-Israeli strategic cooperation agreement. In 1984, Israel received \$1.7 billion in military assistance from the United States, of which half was an outright grant that did not have to be repaid. Because the burden of repayment of previous loans has now become so heavy (a 10 year period of grace for loans was made at the time of the 1973 war), the U.S. Administration agreed, for fiscal year 1985, to give an outright military grant of \$1.4 billion, none of which needed to be repaid. For the 1986 fiscal year, the Administration proposed to increase this to \$1.8 billion. In addition, in 1984 the United States provided Israel with economic aid totalling \$850 million, an amount which it raised to \$1.2 billion for fiscal year 1985 and which it paid in one lump sum rather than in four installments as U.S. economic aid had usually been paid. By December 1984, however, it was evident that Israel, faced with a serious economic crisis needed considerably more, both immediately and in the next fiscal year. In responding to this request, the U.S. Administration agreed to grant \$1.5 billion more in economic aid to be divided between the 1985 and 1986 fiscal years.

The problems related to security are being exacerbated by the deterioration of the Israeli economy with its heavy deficit, its rampant inflation and the high costs of its defence. Israel's inflation rate was more than 150 percent in 1983, it had climbed to over 400 percent in early 1984, by early 1985 was said to be almost 1000 percent. Israel has a balance of payments deficit of \$5 billion, a foreign debt of nearly \$25 billion, and an economic growth rate of only one-half to one percent a year. The Israeli defence budget is about \$5 billion annually. Support of Israeli troops in Lebanon cost the country over \$1 million a day. The state of the economy was a central issue in the 1984 election. In November 1984 the new government instituted an austerity program freezing wages and prices for three months. Some outside observers judged that the measures were not stringent enough to cure Israel's economic woes and the Reagan Administration delayed for some months its decision regarding the level of its 1986 economic assistance grants pending evidence of further Israeli belt-tightening.

It is generally recognized in Israel that its foremost security concern relates to the future of the West Bank area. While Israeli occupation of the West Bank provides immediate security, the failure to make any progress on a resolution of the issue creates uncertainty about the future. Arab oil revenues and the competition among Russia, the United States, France, Britain, Brazil and other countries, to supply modern and sophisticated weapons, often at concessionary prices, have led to a continuous and competitive arms race between Israel and its neighbours and between rival Arab states. Many Israelis perceive that their recent military operations in Lebanon have brought not peace and security but rather an ever more costly and potentially deadly confrontation. Nor does the West Bank offer the protection it did only a few years ago. The range of the weapons now available to the Arabs is rapidly increasing, and the weapons are becoming more sophisticated and accurate. The result is that potential targets in Israel are no longer beyond the range of weapons in neighbouring Arab states.

Another threat Israel faces is that of terrorist actions, which have been responsible for over 7,500 casualties since 1965 mostly of civilians. While Israeli officials in Tel Aviv did not consider that terrorism represented a threat to the existence of Israel, they did say that it disrupted the quality of life for Israelis and was difficult and expensive to combat. Terrorism by individuals would probably remain a problem even after some kind of settlement had been achieved in the West Bank but it would undoubtedly be lessened. The Honourable Robert Stanfield suggested before the Committee that the best way to encourage a moderation of extremist PLO elements is to make some movement to meet the Palestinian concerns.

The Committee doubts that Israel's security can be achieved through the pursuit of military pre-eminence over hostile Arab neighbours in the long run. Guaranteed and recognized frontiers for Israel can best be achieved through negotiation and compromise with regard to the territories occupied by Israel in the 1967 war. The PLO representative observed before the Committee "there would be much more security for the state of Israel if there were not two million Palestinians demanding the right to return to their home country". Mr. Stanfield expressed the

view that Israel cannot ensure its security simply by expanding its territory. "The only approach" he said, "that can lead to some ultimate security is to achieve a settlement, an arrangement that is accepted by the people of the area as being sensible and decent." Failure to resolve the Palestinian problem remains a major destabilizing factor in the Middle East and its resolution would be the best way to ensure Israel's security and terrorism problems.

2. Israel and the West Bank and Gaza

In Israel to-day there is no agreement on a comprehensive policy for the future of the West Bank, the territory with the greatest significance for Israel's security and for peace in the region. The two major political parties have conflicting ideas as to goals, a situation which imposes constraints on the government coalition both on its administration of the area and on its ability to negotiate a solution.

A former president of Israel, Yitzhak Navon, a Labour Party vice premier in the coalition government, commented in a press interview in Ottawa in November 1984 on the difficulty faced by his government in developing policies regarding the West Bank. "We know we can't have our policy—an agreement with Jordan which would give back parts of the occupied territories—and they [the Likud] can't have their program which is settlement everywhere."

During the 1984 election, Labour had said it was prepared to trade territory for peace. Mr. Peres, both as opposition leader and prime minister, said his party would be willing to relinquish part of the West Bank to Jordan in peace negotiations because "we do not want a binational state" of Arabs and Jews.

This approach is contested by the Likud party, however, which claims for Israel a historical right to the occupied territories. The former Likud prime minister, Menachem Begin, made it evident that his party's determination to maintain control of and to claim sovereignty over the whole of the West Bank was as much influenced by an historical and religious commitment to the concept of Eretz or Greater Israel as it was by security concerns. The concept of Eretz Israel—the historical Jewish land of Israel—includes the occupied West Bank, known to Jews in historical times as Judea and Samaria. In May 1981, Prime Minister Begin speaking to Jewish settlers in the West Bank made a ringing declaration. "I, Menachem, the son of Ze'ev and Hana Begin, do solemnly swear that as long as I serve the nation as prime minister, we will not leave any part of Judea, Samaria, the Gaza Strip, and the Golan Heights."

One of the principles of the Herut/Likud coalition government agreement in 1977 involved the affirmation of Israel's 'unending sovereignty' over 'Judea and Samaria', as the West Bank was always referred to officially by the Likud government. The Greater Israel policy also appears to have been behind the Begin government's decision to take the position that the withdrawal clause of UN Resolution 242 applied only to the Sinai. By the same token it is probably linked to the former government's settlements policy and to its rejection of the Reagan Plan.

These differences were reflected in 1984 in the unity government's "Basic Policy Guidelines" which formed the basis for the coalition agreement. The language was broad and vague, but it stated that the government would work to continue the peace process within the framework agreed upon at Camp David "to resume negotiations to give full autonomy to the Arab residents in Judea, Samaria and the Gaza district." However, the Likud also extracted the commitment that no change could take place in respect to the sovereignty of the West Bank and Gaza without its consent. Soon after the coalition government was established in September 1984, the Likud leader, Deputy Prime Minister and Foreign Minister Shamir said that any attempt to give up part of the West Bank in exchange for peace would break up the government.

In signing the Camp David Accords, former Prime Minister Begin undertook to give limited autonomy after five years to the Palestinians but later he coupled this offer with an insistence that ultimately the area would come under Israeli sovereignty. When pressed by the Sub-committee members in November 1983 to comment on Israel's future intentions respecting the legal status of the West Bank, then Prime Minister Shamir could only reply, "I hope in five years to find a solution." However in May 1984 he was more explicit in speaking to the Knesset, "We will not accept any preconditions in negotiations with Arab governments nor promise any concessions concerning our sovereignty in Eretz Israel."

In the continuing debate over the future of the occupied territories the Likud government was criticized by the opposition Labour Party for policies which would lead to the annexation of the West Bank by Israel. Controversy centred on the place of the West Bank Palestinians in an enlarged Israel. Some Israelis pointed out that if Israel were ultimately to annex the West Bank, it could not treat Palestinians as second class citizens and deny them fundamental political rights. Yet if they were accorded full political rights, the result would be to create a binational state, not at all in accordance with the original objective of Zionism—to create a Jewish state. Moreover, in the Knesset, the 700,000 Palestinians on the West Bank and the 450,000 in Gaza would hold the balance of power. With the 500,000 Palestinians in pre-1967 Israel, Arabs might eventually form a majority, if their birth rate were to remain higher than that of Jews in Israel. This argument was reiterated by Mr. Yitzhak Rabin, the former Labour prime minister, now minister of defence, when he explained to the Sub-committee in November 1983 that he opposed annexation of the West Bank and Gaza because if Israel claimed sovereignty over these areas, it would have to offer citizenship to over one million Palestinian Arabs living there. This would result in a larger Israel which would comprise 38 percent Palestinians. Mr. Rabin said this would mean that Israel would lose its Jewish character and no longer remain a Jewish state as it was created.

A second approach to this situation, and one that has some strong advocates, proposes that an expanded Israel remain a Jewish state by disenfranchising the Palestinians. Critics argue that this is so inconsistent with the democratic foundation of Israel as to be unacceptable; some opponents refer to this solution as the 'apartheid' alternative.

Committee members were told by some Israelis, including a few Knesset members, of a third possibility: expulsion of the Palestinians or, as a minimum, active encouragement of Palestinians to leave the West Bank and Gaza and go to Jordan. While this 'Jordan is Palestine' group is a minority at present, it has some powerful proponents and could expand if circumstances changed.

Mr. Bronfman, President of the World Jewish Congress, told the Committee in 1983 that the Likud government, which he thought did not have a strong mandate, was determined to maintain Israeli sovereignty over the West Bank, but that there was an equally large group in the Knesset that would be less adamant on this issue.

A very few Israelis advocate an independent Palestinian state on the West Bank. Mr. Bronfman doubted that any Israeli leader could agree to the establishment of an independent Palestinian state and survive politically. He questioned whether such a state could be economically viable although the Committee heard other witnesses who judged that a separate West Bank entity could be viable. Mr. Bronfman did advance the possibility, however, that once the autonomy process had started, the West Bank Palestinians might opt for some kind of loose confederation between the West Bank and Israel. He based this possibility on his observation "that a large percentage of the economic life of West Bank Palestinians is caught up in the Israel economy" and on the fact that "thousands go to the Mediterranean beaches of Israel which may indicate they prefer that lifestyle". However, he expressed doubt as to whether the Arab world would accept this solution or whether Israel itself could accept having the West Bank Palestinians become full citizens of Israel "since it would have the same demographic problem King Hussein has."

Thus while the vast majority of Israelis reject the idea of an independent Palestinian state on the West Bank and favour retention of sovereignty over Jerusalem, the consensus in Israel over the occupied territories does not go much further, a situation reflected in the government coalition.

a) Jewish settlements in the occupied territories

A major and pressing matter for the coalition government is the future of Jewish settlements in the West Bank and Gaza. It is a cause of concern and controversy both within Israel and internationally.

After the 1967 war, the Labour government allowed some religious groups to establish settlements in the Jordan Valley in order to strengthen Israeli security. Two other early settlements were permitted near Hebron after being established without permission by religious nationalists. The settlements in the Hebron area of the West Bank have been the cause of particular tension between Arabs and Jews. These settlements were greatly expanded under the Likud government, which in 1980 gave official encouragement and several kinds of assistance. This policy aroused the local Arab population and resulted in considerable turmoil and violence on both sides.

Hebron has a special significance for Jews as a burial ground of the Patriarchs. For this reason, Jews have been attracted to the city. For Muslims too, the city has a special religious significance and the Mosque of al-Kahil (Abraham) is built over the tomb of Abraham. This competition has been a cause of tension. In 1929 local Arabs attacked the Jewish community in Hebron, burning the synagogue with casualties on both sides. Again in 1936 the few Jews who had returned to Hebron were evacuated by the British after another Arab attack.

The strategy of the Likud government regarding settlements in the West Bank was to ensure that the autonomy offered by Israel in the Camp David Accords applied only to the Arab population and not to the land. The policy was first elaborated in a report entitled "Settlement in Judea and Samaria—strategy, policy and plans" by Matityahu Drobles, chairman of the Settlement Department of the World Zionist Organization. The report suggested that the government's policy "should mainly find expression by establishing facts on the ground". It continued:

Therefore, the state-owned lands and the uncultivated barren lands in Judea and Samaria ought to be seized right away, with the purpose of settling the areas between and around the centres occupied by the minorities so as to reduce to the minimum the danger of an additional Arab state being established in these territories. Being cut off by Jewish settlements, the minority population will find it difficult to form a territorial and political continuity.

There mustn't be even the shadow of a doubt about our intention to keep the territories of Judea and Samaria for good. Otherwise, the minority population may get into a state of growing disquiet which will eventually result in recurrent efforts to establish an additional Arab state in these territories. The best and most effective way of removing every shadow of a doubt about our intention to hold on to Judea and Samaria forever is by speeding up the settlement momentum in these territories.

The pursuit of this strategy by the Likud government resulted in a stepped-up pace of settlements, particularly large-scale urban settlements built on the hills around Jerusalem and serving mainly as dormitory towns for Israelis who commute daily to work in Jerusalem or even Tel Aviv. They are solid, well-built concrete structures of four or five stories placed on road grids in such a way as to make future detachment from Jerusalem extremely difficult. Approximately 3,000 apartments a year have been constructed and offered to Israeli citizens at highly subsidized rates. Since 1967, Israel has spent about \$1.5 billion on settlements in the West Bank, the greater part of this in the last few years. In February 1984, Yuval Neeman, a member of the Israeli cabinet and Chairman of the Ministerial Committee on Settlements, described the West Bank as "the natural suburbia of Israeli cities, considering the fact that the 1948-67 border was an artificial line".

The settlers who are attracted to these settlements are no longer only those with strong ideological or religious motivation but are more often Israelis seeking cheaper housing. There are over 100 settlements in existence or under construction in the West Bank, and these house more than 30,000 Jewish settlers. As well, there are 12 settlements in Gaza, already one of the most densely populated areas of the world. In addition, some 70,000 Israelis now live in apartment blocks constructed on former Arab lands around Jerusalem. Committee members toured part of the West Bank looking at settlements including those around Jerusalem. These latter are

mainly urban settlements strategically placed to the north, east, and south of Jerusalem, in areas annexed by the Israeli government from the West Bank. Prior to the present financial crisis in Israel and the 1984 change in government, the Likud government had predicted 100,000 Jewish settlers in the West Bank by 1987, excluding Jerusalem and one million by the turn of the century. While the total number of settlers at present is only about four percent of the population of Israel, they represent an organized and potent lobby. The chairman of the Association of Local Councils of Religious Settlements in Judea, Samaria, and Gaza boasted to Committee members that their movement had been powerful enough to extract an undertaking from Prime Minister Shamir in November 1983 that the question of settlements would not be discussed in his upcoming meeting with President Reagan in Washington.

The Likud government's West Bank settlement policies led to sharp debates within Israel, particularly regarding the implications of these settlements for the future of Israel. Polls have revealed that a substantial percentage of the Israeli population favours a 'freeze' on the growth of settlements. A small minority would even like to retrench, believing this to be necessary in order to work out an accommodation with the Palestinians.

The Committee was told by Mr. Bronfman that he disagreed strongly with the Israeli policies that permitted settlements "contiguous and almost on top of large Arab population centres". This was "not only unproductive but also counter-productive in terms of people getting along together," he concluded. However, Mr. Bronfman had no problem with "the totally uninhabited hills and high ground areas which the Israelis could, for military reasons, occupy, because that would perhaps solve some of their security problems".

In the 1984 election campaign the Labour party promised to cut government financing of settlements and to halt settlement construction. The coalition government apparently had great difficulty in reaching an agreed approach to the settlements issue. As spelled out in the September 1984 "Basic Policy Guidelines", the existence and development of settlements set up by previous governments were to be "ensured" and five to six settlements were to be established within a year. In effect, this appears to mean that while the momentum of settlements has been slowed, the settlements policy has not been reversed. In fact in January 1985, the sites for six new settlements were approved, a decision criticized by opposition Knesset members and some members of the coalition. If the government should be able in future to turn its full attention to the problems of the West Bank, it will be faced with considerable controversy regarding the future of settlements.

b) Israeli administration in the West Bank and Gaza

It is important in assessing the situation in the West Bank and Gaza to remember that Israel is an occupying authority and that conditions under its administration are superior to those that have been the norm under other occupying forces in other countries in recent history. Mayor Freij of Bethlehem, a town in the

West Bank, was realistic in his recognition that "a military occupation is a military occupation, not a democracy." Comparatively speaking, Israel's occupation is considered by many to be a relatively benign and generally humanitarian one.* In East Jerusalem, the infrastructure of the city has been overhauled with new water, electricity, and sewage systems. The Arab population there has almost doubled since 1967.

In the West Bank and Gaza, a wide range of social services has been introduced, including assistance to the needy, nutritional and child development centres, mother and child care centres, kindergartens, day centres for the retarded, and programmes for the handicapped, retarded, and disabled. Mother and child care centres in the West Bank increased from 23 to 79 between 1968 and 1981, and general medical clinics climbed in number from 89 to 144 in the same period. In Gaza, 24 new mother and child health care centres were established, one for every village. Hospital births in Gaza have risen from under 10 percent in 1967 to 85 percent in 1982, and in the West Bank, from 13.5 percent in 1968 to 43.6 per cent in 1982. The infant mortality rate has dropped in Gaza from 86 per 1,000 live births to 41, and in the West Bank from 33 per 1,000 live births to 29 in the same period.

In an attempt to encourage Palestinians in Gaza to leave the extremely crowded refugee camps, the Israeli authorities have offered housing in new resettlement areas with generous grants to assist construction. More than 7,000 families comprising over 40,000 persons have availed themselves of this opportunity so far.

Israelis note that unemployment is surprisingly low in the occupied territories—with an average rate of 0.5 percent in Gaza and 1.6 percent in the West Bank compared to a rate of 4.5 percent in Israel—and that the thousands of Palestinians who work officially in Israel are covered by the same benefits as Israeli workers. However, the Committee learned in Gaza that there are strong feelings of resentment among Palestinians that many of the jobs in Israel involve manual labour that Israelis are unwilling to do. Moreover, many Palestinians have found it necessary to take unofficial work in Israel at much lower pay and without security or benefits.

Israel has attempted to rehabilitate the refugees under the care of UNRWA (the United Nations Relief and Works Agency for Palestinian Refugees) and has contributed over \$10 million directly to the regular UNRWA budget for this purpose. In addition, in the West Bank and Gaza, the government has supplemented the UNRWA schools by establishing its own schools with teaching in Arabic. The Israeli administration permitted and in some respects assisted, the establishment of four universities, where none existed before, and other colleges and teacher training schools.

* It might be noted however that in respect to the occupied territories, Israel has not recognized the legal application of the Fourth Geneva Convention related to military occupation of this territory. Among other provisions, the Convention prohibits the transfer of the occupying forces' civilian population into territory it occupies or the deportation of persons from the occupied territory. Israeli authorities argue that the territories were occupied in the course of a defensive action rather than an offensive war and that in any case the area was not part of a sovereign state when Israeli forces moved in during the 1967 conflict.

An aspect of the former government's West Bank policies that caused concern in the last two years has been the Israeli press allegation that the government was ignoring major crimes committed by Jewish extremists in the occupied territories while the military authorities were severe in punishment of Arab offences. A report prepared in 1982 by a judicial commission investigating the crimes of settlers was released early in 1984 by the Likud government.* When it released the report, the government acknowledged that it had been lax in investigating and charging Israeli terrorists and pledged to apply the law equally to Jews and Arabs. In May 1984, 25 militant Jewish settlers were indicted for conducting or planning at least six violent attacks on Arabs during the previous four years.

After the formation of the coalition government in 1984, Prime Minister Peres, responding to criticism from both at home and abroad regarding certain Israeli administrative measures on the West Bank, undertook to alleviate them and some progress has been made. His government has lifted a considerable amount of the censorship on publication, it has eased the restrictions on the amount of money which can be brought in, and it has reduced the extent of military intervention in the social and developmental decisions of municipal administration. The rate of approval of projects submitted by U.S. supported non-governmental organization has increased and some moves have been made toward reinstalling a few Arab mayors. Permission has been given in principle for a purely Arab bank to be organized in Nablus. The response by the Palestinians to these initial relaxation measures designed to try to build feelings of mutual confidence has not been as encouraging as had been hoped. For the Palestinians, Israel still represents an alien government of occupation.

C. The Palestinians

Many Palestinians who were living in what is now Israel abandoned their land and villages during the events surrounding the establishment in 1948 of the state of Israel. The Canada-Palestine Solidarity Committee reflected the Palestinian view of this development when it made the following point to the Committee:

When Israel was established as a direct result of the persecution of the Jews by Europeans, the bill was presented NOT to the persecutors, but to another people, the Palestinians, who did not commit, condone or even comprehend the terrible treatment inflicted on European Jews.

Twenty years later, the early refugees were joined in neighbouring Arab states by other Palestinians dislocated in the Six-Day War of 1967 which resulted in Israel's occupation of the West Bank and Gaza.

* The chairman of the judicial investigating commission was the assistant attorney-general Mrs. Yehudit Karp, who resigned from the commission in protest over the withholding of publication of the commission's report.

The total number of Palestinians is estimated at over 4.5 million. Of these, 1.3 million live in the West Bank and Gaza, and approximately one-half million are in Israel. In addition, there are thought to be over 2.5 million Palestinians dispersed throughout the Middle East and elsewhere, of which one million are in Jordan. Except for most of the Palestinians in Israel and in the West Bank, all of these people have been uprooted at least once.

Many Palestinians are stateless, without passport or citizenship. Palestinians in Israel are entitled to Israeli passports and many of those residing in the West Bank received and retain Jordanian citizenship, but Palestinians in Gaza are generally forced to rely on identity cards. Of the other Arab countries, only Jordan has granted citizenship to Palestinians who have come there. In other countries, Palestinians are equipped only with identity cards and therefore find travel from one country to another to be extremely difficult. Mr. Terzi told the Committee that some countries are refusing to revalidate the identity card:

For Palestinians this is a very serious matter of concern. How can these people procure a paper with which to identify themselves and aid them to travel in pursuit of earning a living? There are thousands of Palestinians who work all around the world. (II,3:39-40)

As far as employment of Palestinians in certain Arab states is concerned, the Committee found that they are likely to be treated as outsiders whose skills are temporarily required until a national is qualified to take the job. They are rarely welcomed as permanent residents.

After the 1948 War, these neighbouring Arab countries, blaming the West for creating Israel, refused to take responsibility for the Palestinians who fled. The Palestinians became and still are the responsibility of UNRWA, which was established in 1950. Over 600,000 Palestinians live in the crowded, depressing conditions of UNRWA refugee camps, of which there are 48 in the West Bank, Gaza, Jordan, Lebanon, and Syria. Members of the Sub-committee visited three such camps in the area and the Commissioner-General of UNRWA, Mr. Olaf Rydbeck, came before the Committee in Ottawa.

UNRWA's sustained efforts in offering health, education and relief services to Palestinians who have been displaced or have fled in either 1948 or 1967 deserve commendation. UNRWA's role is not an easy one: to try to help these people without involving itself in the political debate regarding their future. Committee members were particularly impressed by UNRWA's educational role. Despite severely cramped conditions, UNRWA is providing education for over 330,000 pupils under 15 years of age as well as for the more than 4,000 others enrolled in job training schools. The great majority of the staff are themselves Palestinians. As a group, the Palestinians take their education very seriously. Committee members heard individual Palestinians say on several occasions that since they had no homeland, "education is our homeland". They have emerged from these camp schools with a surprisingly high level of education and skills. But it was depressing to realize that for 35 years, whole generations of these people have been born and have grown up within the confines of the camps.

1. Palestinians in the West Bank and Gaza

The focus of attention has naturally fallen on the 1.3 million Palestinians in the West Bank and Gaza. Elsewhere, except in Jordan, the dispersed Palestinians are an insecure minority. But the Palestinians in the West Bank and Gaza are an overwhelming majority—98 percent—and most of them are in the land of their birth. After the 1948 war, the West Bank was unilaterally annexed by Jordan and it remained under Jordanian authority until 1967. The Gaza Strip was under Egyptian trusteeship from 1948 until 1967. Since 1967, both areas have been under Israeli occupation. Inevitably, tensions have arisen. The Palestinians not unnaturally chafe under the restraints of an occupying power. Some of their main concerns and perceptions under the former Likud government are recorded below. It remains to be seen to what extent measures taken by the new Israeli coalition government can reduce the weight of occupation and modify these perceptions.

In his presentation to the Committee in Ottawa, Mayor Freij described the system within which he functioned in the West Bank. There is the municipal council which was elected by the inhabitants of Bethlehem in 1976 by elections which were "absolutely free and democratic". Above the municipal council is the Israeli military authority which issues military orders "to restrict, direct and regulate our work and our authority, and at times it takes power from us". He said he was governed by military orders—over 1,000 of them—which are issued without any consultation with the Arab population. The orders are drafted by a military officer and deal with "taxation, security, economy, banking, education, health services—everything". Mayor Freij himself was required to carry an identity card—even within Bethlehem, the town of which he was mayor. Palestinian cars carry distinctive license plates as a means of differentiating them from Israeli cars and are required to stop at all military road blocks, which are quite numerous in the occupied territories. Teenage children are forbidden by the authorities to walk in groups of even six or seven, he observed.

One of the hardest developments for Palestinians to accept has been the Israeli acquisition of West Bank land. Mayor Freij pointed out that the total area of the West Bank was less than 5,000 square kilometres, of which one-third was total desert. He asked the Committee to imagine the Palestinians' plight in view of the fact that about 50 percent of Arab land in the West Bank and Gaza had been expropriated or made out of bounds for Arab citizens.

The Israelis have used military orders and a number of different methods to legitimize the acquisition of the land. The clearest description of these methods was given by Mr. Meron Benvenisti,* the Israeli author of the West Bank Data Base Project. According to his report, land and property belonging to Palestinians who fled the area in 1967 and land owned by the Jordanian government have been taken

* Mr. Benvenisti is an Israeli citizen, a former deputy Mayor of Jerusalem. He is a Zionist, committed to a strong state of Israel. He holds a doctoral degree in public administration from Harvard University. He heads the West Bank Data Base Project, a research institute which monitors developments in the West Bank, a project subsidized by the American Enterprise Institute with Rockefeller and Ford Foundation grants.

over by the Israeli authorities and leased out to Israelis for very long periods for agricultural settlements or for "Build Your Own Home" schemes. Another procedure outlined in the report described how privately owned land had been "seized" by the Military Government under an order proclaiming that the area is needed for "vital and immediate military requirements".* Land has also been acquired by the "closing" of areas to Palestinians for use as training grounds, firing ranges or security zones. "Closed lands tend to become 'requisitioned lands'", the report stated. Another method was the expropriation of land for public purposes which was done according to a 1953 Jordanian expropriation law that the Israeli military authorities amended in order to facilitate the expropriation process. This practice, the report observed, was limited mainly to local civilian needs such as roads—arterial roads and access roads to Israeli settlements—and it was subsequently recognized by the Israeli High Court which ruled that the Jewish civilian settlements formed a part of the population of the West Bank.

At a 1983 meeting in Jerusalem, Mr. Benvenisti discussed Israeli land acquisition procedures in the West Bank with the Sub-committee and described in some detail the relatively recent method adopted in 1979 which enabled the Israeli government to acquire practically any land in the West Bank. This method involves the use of an old Turkish law treating as "state domain" all areas considered "public land", including communally-held property used as grazing grounds of villages or commonly cultivated fields, lands not privately registered or "lands beyond the sound of a human voice from the nearest village". By Turkish law, such lands were in theory ultimately owned by the Sultan. Israeli authorities, he said, now interpret the law so that all such lands can be claimed as "state property", that is, under the ownership of the Israeli government. This enabled the government to claim that all Jewish settlements of the post-1977 urban type are built on state land. By a military order, the counter-claimant is required to prove that the contested land belongs to him individually. Such evidence rarely exists or is inconclusive since there was little written documentation in that region, which depended on traditional land holding. The result is that the Palestinians lose most cases, Mr. Benvenisti said. In his report, he concluded that Israel had by this and other means acquired effective control of 52 percent of the land of the occupied West Bank.

The West Bank Data Base report points out that military orders concerning land use planning have accompanied the Israeli land acquisition procedures. The orders have had the effect not only of safeguarding Israeli military installations, roads, and settlement areas from Arab developments but, more recently, of severely restricting Arab land use on all Arab-owned land outside towns and villages. This leaves all open space in the control of the Israelis, it concluded. The Sub-committee saw how this principle was applied in the Jerusalem region where the Israeli planners had laid out new arterial roads which seemed to dissect existing Arab areas and to curb the usual pattern of Arab urban development along roads.

* After a judgment by the Israeli High Court that such requisitioning was not justified for civilian settlements, the Israeli government refrained from using private, registered land for building settlements.

The conclusion of Mr. Benvenisti's analysis of Israel's land and land use planning in the West Bank was critical and terse. "The combination of land acquisition, closure of areas for military purposes and land use planning, roads and infrastructure development, has already ensured complete Israeli control over space on the West Bank."

Mayor Freij seemed to confirm these observations when he told the Committee that the Israeli occupation, unlike previous occupations of the area, was taking land away from the Arab population and was planning and building settlements for Jewish citizens in such a way as to cut the "body of the West Bank and Gaza into small bits and pieces, with the purpose of making it all but impossible for the Arab people in the West Bank and Gaza to have a homeland or an entity".

Water is another very sensitive subject for Palestinians, given the arid conditions in the West Bank and Gaza. After 1967, Israel, whose own water resources are subject to very careful planning and management, took control of the water resources of the occupied territories, issuing permits for the use of wells, setting quotas and installing water meters. The Palestinians fear that the increased water supply allowed to Jewish settlers on the West Bank and Gaza will lead to serious water shortages and dry wells. They are also concerned by the expansion within Israel itself of a pre-1967 system of pumping water from deep artesian wells. As the West Bank and Gaza share a common aquifer system with Israel, this means that any amount of water taken by one side reduces the amount of the other. Professor Watson estimated that perhaps 30 percent of Israel's pre-1967 water supply was actually derived from West Bank sources.

Mayor Freij told the Committee,

Water is just as precious as blood is precious. In the Bethlehem area, our water is taken from underground wells. . . . The wells are operated, regulated and controlled by the military authorities, not by our people. (48:6-7)

He said that water had become increasingly scarce and extremely costly for his Bethlehem community. While he had to ration water in his own municipality, he observed that in nearby Jewish settlements, water flowed 24 hours a day and was even used for swimming pools.

Sub-committee members were told on several occasions that Palestinians found it difficult to get permission from Arab authorities to dig new wells on the West Bank. In Gaza, ex-Mayor Rashad Shawa recounted how his co-citizens were now not allowed to dig a well even on their property without a permit, were required to have a meter on their own wells and had to pay a fine if they used more than an allotted quota.

On the other hand an Israeli study* has noted that even before 1967 a form of water control existed on the West Bank under local Jordanian law. It explained that in Israel itself restrictions were placed on water-drilling, pumping and

* "The Rule of Law in areas administered by Israel", Israel National Section of the International Commission of Jurists.

agricultural consumption, principally by quotas. Given Israel's common catchment area with the West Bank, Israel after 1967 had instituted a similar system of control there in order "to balance the situation". At the same time water quality and supply of the area were significantly improved. Moreover, from time to time reciprocal transfers of water between Israel and the West Bank have taken place with water from Israel itself going to the West Bank to supplement summer consumption needs, for example. As for the Gaza water situation, Israeli authorities have emphasized the precariousness of the existing water supply due to past overpumping. In addition to restricting water use, they have instituted better irrigation methods and made improvements in the water supply infrastructure.

Commenting on this controversial subject of water, Mr. Benvenisti told Subcommittee members in Jerusalem that Israeli West Bank settlements, which constitute between two to three percent of the population, consume 20 percent of the total water consumption of the area. Of this amount, 96 percent is used for irrigation, particularly irrigation in the fertile Jordan Valley of which one-half to three-quarters has been expropriated by Israel. Thus an increase in Jewish settlements of the urban type would only marginally affect the total water consumption of the West Bank, but new settlements on agricultural land would lead to increased demand for irrigation and would have a significant effect on water consumption. The report commented further that the Israeli development budget under the Likud government had reflected a policy of rapid development of water infrastructure for the Jewish settlements and the integration of West Bank resources into the Israeli national water grid.

Mr. Benvenisti told members that the West Bank Arabs now had 20 percent more water than they had prior to 1967. His study was sceptical of claims by Palestinians that the water table was being depleted, either by heavy pumping inside Israel or in the West Bank, and was in danger of increased salinity because the water table was falling too low. There was insufficient data available to come to any firm conclusion on this important issue, the report stated. It is evident, however, that in an occupation environment, Palestinians believe that their water resources are being exploited by Israel and by Jewish settlements in the West Bank.

From conversations in the area and from testimony, Committee members learned that another Palestinian concern is that the economies of the West Bank and Gaza are becoming increasingly dependent on the Israeli economy. West Bank industry has remained small and underdeveloped, mainly due to sparse investment, the unavailability of credit facilities, and the influx of Israeli imports. Only five factories producing products such as soap, plastic and chocolate have been built since 1967, Committee members were told. Eighty-eight percent of the West Bank's imports are now from Israel, making it the largest market for Israeli products. Moreover, Professor Watson testified that many of these imports from Israel are sold below the cost of production, thereby effectively preventing the development of local industry. While travelling in the West Bank, Subcommittee members heard of problems of permits, financing and marketing faced by Palestinians trying to develop their local economy. At the same time, they were able to observe that the Jewish settlements they visited had succeeded in establishing factories and finding contracts.

Israeli authorities maintain that prior to 1967 the economy of the occupied territories was largely agricultural with a low per capita income and very little economic growth. Since 1967, the high proportion of the territories' trade with Israel has resulted from restrictions imposed by neighbouring Arab states and that, in the main, West Bank and Gaza exports have risen faster than imports.

West Bank Palestinians say they have problems because both Jordan and Israel protect their markets from West Bank exports. For example, members were told that Israeli authorities were only prepared to approve a project for a cement plant in Hebron if 80 percent of its production could be exported, but the obvious market, Jordan, wanted to develop its own cement industry and would not give assured access to its market. Further, Israel limits West Bank and Gaza exports of agricultural produce into Israel. For example, the Committee learned that oranges grown in Jericho near the Jordan River may not be sold in East Jerusalem, which is only 25 miles away. For their part Israeli authorities say that agricultural trade is regulated and that permits are required "primarily to facilitate statistical control of the quantity of produce entering Israel". The effect of these regulations on Arab producers was described by Mayor Freij:

The West Bank and Gaza are markets for the consumption of Israeli products, services, manufactured goods, raw materials, everything, but when it comes to a question of the Arabs selling grapes, oranges, tomatoes, cucumbers or eggplant to Israel, that is not allowed. The excuse is that these imports will hurt the farmers in Israel. The Israelis, therefore, can sell their fruits, their vegetables, their products, their manufactured goods and so on to the Arabs and that is not fair. We have difficulties with that.

Secondly, the trucks that carry the agricultural products from the West Bank and Gaza into Jordan have to pay about \$250 to \$280 American dollars each time they cross the bridge. The truck owners charge \$500 per trip, so it is more expensive to ship oranges or watermelons from Nablus to Amman, which is only a distance of 100 kilometres than to get a container from Montreal to Israel. Therefore, this is really restricting the volume of exports from the West Bank into Israel or into Jordan. From the West Bank to Israel it is controlled by military restrictions. The price of exporting those products to Jordan is so exorbitant that it is ridiculous. (48:18)

In Gaza, where the main industry is the cultivation of citrus fruit, ex-Mayor Shawa recounted that there was a prohibition on shipping directly to Europe where Israelis themselves have built up a market. For their part Israeli authorities maintain that such produce can be more effectively marketed abroad if it is shipped through an Israeli export corporation. Mr. Shawa also told Sub-committee members that there was a tax of \$15 a ton on citrus products when Gaza producers export to Arab countries and that the authorities had prohibited any new or replacement plantings of orange trees.

Crown Prince Hassan of Jordan pointed out to Sub-committee members in 1983 in Amman that West Bank economic development has been hampered because no Arab banks were permitted there. There were few sources of credit and almost no self-generated investment could take place. However, the Committee notes that Prime Minister Peres agreed in principle in late 1984 to the establishment of an Arab bank in Nablus and he has eased the restrictions on money that can be brought into the occupied territories.

In respect to financial assistance from abroad to develop local industry, some improvement has also been noted under the Peres government in the rate of approval for West Bank projects such as dairy or poultry farms which were dependent on financial assistance from abroad. In 1983, members had been told by Crown Prince Hassan that the Israeli authorities had disapproved or kept such projects "pending" and Mayor Freij had complained that an Israeli military order had prevented outside financial assistance for his development projects. Mr. Benvenisti has noted that the Israeli authorities have invariably approved externally-financed projects when they were proposed for public works such as electricity or sewage infrastructure that otherwise might have come out of the Israeli budget. Professor Lorne Kenny of the University of Toronto told the Committee that the 1980 Israeli civil budget for the West Bank allocated \$21.5 million for the 25,000 Jewish settlers but \$14.6 million for the 700,000 Arabs there.

In assessing the viability of the West Bank economy Mr. Benvenisti told members that his study showed the economic integration of Israel and the occupied territories was quite far advanced. The West Bank's trade with Jordan was decreasing while that with Israel was increasing. Twenty-five percent of all Israeli exports are sold to the West Bank and the negative balance of the West Bank's trade was covered by transfers from Arab countries, Europe and the United States. The West Bank economy was found to be "undeveloped, non-viable, stagnant and dependent" and that "total dependence on Israel, (and on Jordan to a lesser degree), the lack of industrialization, credit, and capital investment in production factors prevent balanced and viable economic growth".

With respect to employment, Palestinian leaders are concerned that the West Bank and Gaza appear to be increasingly linked to Israel. The Sub-committee learned that from Gaza, about 35,000 workers go to Israel every day, mainly as labourers. About 60 percent of these are officially employed; the rest go unofficially. The same situation applies to the approximately 39,000 workers from the West Bank—constituting about 49 percent of the active labour force—who go daily to Israel to work. In his testimony Professor Watson referred to a study that had concluded that so much Palestinian labour has been drawn off into Israeli industry that a shortage of labour had become a barrier to the expansion of local West Bank industry. On the other hand, Israeli authorities note the very low unemployment rates in both the West Bank and Gaza and the advanced skills which those working in Israel have acquired. They refute the claim that employment in Israel has impeded growth in the occupied territories, pointing to the improvements which have been made in both the physical infrastructure and training facilities on which industry could be based.

There are problems in the higher education field in the occupied territories where Palestinians contend that academic freedom is curtailed by practices of the occupation authorities. Under Israeli occupation, the West Bank gained institutions of higher education for the first time. However, the Israeli Civilian Administrator in the West Bank told Committee members that the history of tensions, demonstrations, and closures—particularly since the universities were placed under direct military control in 1980—has been such that Israeli authorities now question the wisdom of their decision to establish the universities in the first place.

The Sub-committee learned that the Israeli authorities exercised a strict control over activities at the schools such as meetings, clubs, cultural events, and even sports activities and that textbooks had been restricted and schools closed as punishment for political activism. The staff of Bir Zeit university complained to Sub-committee members that they were required to pay punitive customs duties on materials, equipment, and books they import and that the library was refused permission to acquire journals that were already available in Israeli universities. In 1981, this university was closed three times—for a total of seven months in one year. These closures were undoubtedly in response to agitation by students who have become increasingly politically conscious under occupation and have given expression to a nationalist fervour. When members were in Bethlehem, the university there was closed due to what the university authorities contended was "needless provocation" by military authorities. Some weeks earlier, the military authorities confiscated 90 percent of the cultural materials set up at a Palestinian Heritage Exhibit at the university. The materials confiscated included embroidery, paintings, farm implements, traditional clothing, handwoven baskets, dolls, and a Bedouin tent. A confrontation between Palestinian students and the Israeli authorities ensued, and authorities closed down the university. In Amman, members met and talked with Dr. Munther Salah, who explained that teachers and administrators of universities also faced difficulties. When he was president of Najah University in Nablus, he had been deported in 1982 for refusing to sign a document required by the Israeli occupation authorities disavowing the PLO.

Another difficulty described by the Palestinians in the occupied territories is the military authority's system of collective punishments, which frequently result from stone-throwing or other Arab protests. Members heard of a number of such incidents when they were in the area and Mayor Freij commented on this policy which seems to have been applied vigorously in refugee camps and villages near Bethlehem and Hebron.

Collective punishment is part and parcel of the military administration. ... We have curfews and closures of areas and so on. Just 20 kilometres south of my house there is a refugee camp. It is more or less always under collective punishment. If an Israeli boy throws a stone. ... on a Jewish car, nothing happens. If an Arab boy throws a stone on an Israeli car, hell opens its gates. (48:19)

This use of collective punishment by military authorities in the West Bank has been criticized in the Israeli press and some measures have been taken to curb it.

As an illustration of summary action by Israeli military authorities, UNRWA officials showed Sub-committee members the rubble of houses that had been built in one corner of the UNRWA Beach camp in Gaza. Members were told that the inhabitants of these houses had been given only three days to move. The Israeli occupation authorities' justification was that the houses had been built beyond the camp borders. In the West Bank, out of 25 Arab municipalities, many of the leading Arab mayors have either been expelled or dismissed. When the Sub-committee was in Amman it met ex-Mayor Mohamed Milhem of Halhoul and ex-Mayor Fahid Qawasmi of Hebron, who were both deported from the West Bank in 1980. These mayors were regarded by many observers as political moderates who had met regularly with Israeli moderates. Although never brought to trial, they were charged

with inciting Palestinians involved in a terrorist attack on Jewish settlers in Hebron. Those who actually committed the crime were subsequently caught, convicted, and punished but the mayors were not allowed to return to their homes despite a recommendation to do so by the Israeli High Court and a UN Security Council resolution.

In 1981, the Israeli authorities tried to build up a group of West Bank Palestinians as a new political force to act as an alternative to both the PLO and the elected mayors. The policies were conducted by Menachem Milson, a former civilian administrator of the territories, who tried to set up "Village Leagues". It was hoped that these would become Israel's Arab partners in administration of the territories. But the participants were not able to gain the respect or support that the Arab mayors had. Moreover, there may well have been harassment by elements sympathetic to the PLO. Members of the Sub-committee were told publicly by a Druse, a former Knesset member, that participants in these Leagues were considered to be "quislings" by other Palestinians. The experiment failed, causing deeper tensions between Palestinians and the Israeli authorities.

2. The PLO

It is not surprising that the dispersal of the Palestinians and their restricted existence in the refugee camps sharpened their sense of national identity and hardened their resolve not to accept the injustice they considered had befallen them. Like the Jews of the diaspora*, who always remember Jerusalem in their prayers, Palestinians in exile also yearned for the land of their forefathers. An increasingly distinct and articulate Palestinian identity has emerged. However, with no government of their own, Palestinians' leverage and influence have been limited.

As time passed, the Palestinians came to regard the efforts on their behalf by the United Nations or Arab states as being inadequate and in 1964, a group of Palestinians met in Jerusalem and created the Palestine Liberation Organization (PLO). The basic charter of the PLO, the Palestinian National Covenant committed the organization to an armed struggle to liberate Palestine from Zionism. Two articles of the Covenant have been frequently mentioned in testimony before the Committee. They read as follows:

Article 13: The liberation of Palestine, from an Arab viewpoint, is a national duty and it attempts to repel the Zionist and imperialist aggression against the Arab homeland, and aims at the elimination of Zionism in Palestine.

Article 21: The Arab Palestinian people, expressing themselves by the armed Palestinian revolution, reject all solutions which are substitutes for the total liberation of Palestine and reject all proposals aiming at the liquidation of the Palestine problem, or its internationalization.**

After the 1967 war the situation facing the PLO was transformed by the Israeli occupation of the West Bank. With Jordan ousted as the governing authority

* Diaspora -- a term used to refer to the dispersal of the Jewish people over the centuries. By extension, the term has come to be used of other peoples similarly dispersed.

** It is clear from earlier articles that 'Palestine' as referred to in the Covenant means all of mandated Palestine including present day Israel.

and its claim to represent Palestinians weakened, the PLO began to press, first among the Arab states and then more generally among the international community, for recognition as the official spokesman or government-in-exile of the Palestinians. Jordan resisted this development but was forced to concede in 1974 when the League of Arab States agreed at the Rabat Conference that the PLO was "the sole legitimate representative of the Palestinians".

The Committee was told that 119 states now recognize the PLO. In the Arab world, the PLO has the status of a member government of the Arab League. Western European countries have received PLO officials at the highest levels, although only Greece among NATO member states actually recognizes the PLO. President Bertini and Foreign Minister Colombo of Italy received Yassir Arafat during a visit he paid to Italy in 1982 and the Italian prime minister, Bettino Craxi, met him in 1985. Arafat has also been received by the Pope and by the Austrian chancellor, Bruno Kriesky. The then French foreign minister, Claude Cheysson, received Faruk Kaddoumi, the head of the PLO political committee, often referred to as the PLO 'foreign minister'. The PLO has been accorded official observer status at the United Nations and its specialized agencies.

In pursuit of its objective of "the total liberation of Palestine", the PLO has devoted considerable efforts to developing its own military force. While it has relied on Arab states for its principal armed support, the PLO is reputed to have had by 1982 a force of over 30,000 fighters, well equipped with light and medium weapons. This force was considerably reduced after the Israeli invasion of Lebanon. However, faced with Israeli military superiority, the PLO has from the start relied heavily on guerrilla and terrorist action. When such actions are criticized, the PLO replies that similar tactics were used by the Israelis in their struggle to establish the state of Israel.

While the PLO's main terrorist activities have been directed against Israeli soldiers and civilians, during the 1970s the organization adopted a conscious policy of international terrorism. The most notable of these attacks was on Israeli athletes at the Munich Olympic Games of 1972. The PLO's objective was apparently to try to gain the attention of the peoples of Western countries and sympathy for the plight of the Palestinians. But this tactic proved to be entirely counter-productive, causing Western opinion to turn in revulsion against the PLO. By the end of the decade, the mainstream of the PLO had decided to renounce international terrorism, but it continued to claim that violence and terrorist activity on the battlefield with Israel were justified. Before the Committee, Mr. Terzi declared that the Palestine National Council meetings in 1981 and 1983 passed resolutions condemning terrorism, including state terrorism. But he stated that while he condemned any act of terrorism against civilians, he thought it was his duty and his right to encourage all such acts against "the forces of occupation". He justified his viewpoint as follows:

There should be a differentiation between state terrorism, acts of violence and armed violence. Occupation, by necessity, engenders violence, so we cannot really judge an action without knowing the cause for that action. The history of the world is replete with acts of armed resistance. Unfortunately, sir, what happened in this case is that the forces of occupation have brought in some innocent civilians in violation of the provisions of the

Geneva Convention and made them settle in the occupied territories. Therefore, any act directed against the forces of occupation, by necessity, will have an effect and the result will be those innocent civilians. (II, 3:18)

The PLO comprises eight different groups, ranging in ideological beliefs from Islamic fundamentalism on the right to the extreme left. This structure poses special problems for an organization that has practised terrorist tactics. Some of the more radical elements in the organization operate virtually without control. The consequences of this situation were graphically illustrated in southern Lebanon where, until 1982, the PLO operated as an independent authority. Lebanese civilians were frequently used by PLO guerrillas as innocent shields from Israeli attack or were conscripted by none too subtle means to provide sustenance, shelter, money, medical services, and such. The loosely disciplined PLO troops flouted local regulations and enforced their will on the inhabitants, often with brutality.

Although military and terrorist activities have tended to predominate in the Canadian public's perception of the Palestine Liberation Organization, in fact the PLO operates as an umbrella organization, encompassing trade unions, women's associations, and professional associations. It has built schools and kindergartens, hospitals and clinics, factories and publishing houses. It has put a particular emphasis on education and the Palestinian people are said to be the best educated segment of the Arab world. It has become clear to the Committee that the vast majority of Palestinians look on the PLO as their principal representative.

The PLO's political institutions function in a relatively democratic manner, given the constraints imposed by the dispersal of their membership. The parliamentary wing, the Palestine National Council (PNC), is the highest policy-making body in the PLO. It is composed of representatives of Palestinian communities throughout the world and gives proportional representation to the various political groupings. The PNC elects the Executive Committee, which serves as the executive or cabinet. The Executive Committee, currently chaired by Yassir Arafat, is accountable to the PNC. A larger Central Council is also elected by the PNC to formulate policy guidelines when the PNC is not in session.

Decision-making within the political bodies of the PLO has been conducted on the basis of consensus among the various PLO factions. PLO officers told Committee members that this procedure was necessary to preserve unity. Only by working through consensus was it possible for the factions within the PLO, all of which have conflicting ideologies, to work together. Without a land base and with its people being spread in many countries, Palestinian leaders have felt that the organization could be pulled apart and weakened if decisions were to be taken by the majority. However, many Palestinians and other Arabs whom Committee members met complained that the consensus process gives the minority a veto. They argued that compromises will have to be made to get any kind of resolution in the West Bank and that the consensus requirement would prevent any realistic accommodations being made. Palestinians in the West Bank who appear to be ready to accept a half a loaf, know they will not get even that much as long as the radical PLO minority has a veto.

The PLO budget was reported in early 1982 to be about \$1 billion annually. Of this, over half was said to have come from Arab governments. Mr. Terzi told the Committee that all Palestinians contributed between 3 and 7 percent of their income to a National Fund. About \$250 million a year is estimated to come in this way from those Palestinians working in the Gulf states. In addition, the PLO's economic organization, known as Samed, earns additional funds through its various business enterprises.

Yassir Arafat is not only the leader of 'Fatah', the largest faction in the PLO, but he is also Chairman of the Executive Committee, the most important decision-making forum, which directs day-to-day PLO affairs. Despite the challenge to his leadership in 1983, Arafat appears to have retained the loyalty of the majority of PLO members. Opinion polls taken on the West Bank and Gaza confirm that the vast majority of Palestinians in the occupied territories continue to look on Arafat as their leader. A number of Canadian witnesses, including the Canadian Arab Federation spokesman, Mr. Hadawi, told the Committee that Yassir Arafat is now regarded in the Arab world as a moderate. The then Foreign Minister of Jordan, Mr. Kasm, made the same point to members when he commented, as did President Mubarak of Egypt, that the majority of Arafat's Fatah group favour a settlement. Even the Syrians regard Arafat as a moderate, which is one of the reasons for their continued attempts to destroy him.

Since early 1983, internal differences in attitudes among Palestinians and challenges to Arafat's leadership have become increasingly evident. An open rebellion was led by the group of Syrian-based PLO members who feared that Arafat was ready to compromise with King Hussein. The PLO Executive Committee refused to approve the draft agreement which Arafat had worked out with King Hussein in 1983, aimed at finding some way of giving the Jordanians a mandate to negotiate on behalf of the PLO and the Palestinians as a whole. The Sub-committee was told of additional reasons for this disaffection when it talked to PLO officers in Damascus. They said that Arafat was vulnerable because he had approved the Reagan Plan, his leadership style was too autocratic, he had acted unilaterally on certain issues and there were questions concerning his administration of PLO finances. More recently in November 1984, the Syrian attempts to prevent the meeting of the Palestine National Council and to dissuade four Syrian-based PLO factions from attending that meeting in Amman created new divisions within the organization.

Divisions within the PLO itself are magnified by the competition among Arab states to direct the PLO. Several of the Arab countries vie with each other to control the PLO Executive. Reflecting this approach, the Syrian foreign minister bluntly told Sub-committee members that the Arab Summit was the proper decision-making forum for the PLO. Since the Palestinian cause is a "Pan-Arab cause", it is the duty of the PLO to represent the Palestinian people within the framework of Arab decisions, he said. Moreover, in pursuit of their conflicting goals, the Arab states take advantage of the nationally-oriented groups within the PLO itself. According to Jordanian officials, the PLO encompasses a pro-Iraqi group, a pro-Syrian group, a pro-Saudi group, among others, and because the Arab states provide the PLO with

financial, military, and political support, they can and do wield considerable influence over the organization.

Not surprisingly, the PLO must tread carefully, conscious that by defying the priorities and the will of Arab governments, it could run the risk of retaliation such as a cut-off in funds and arms, a denial of safe haven to PLO fighters or an encouragement of internal PLO strife. There are of course times, as with Syria in 1983 and 1984, when the PLO leadership calculated that it had sufficient support elsewhere to ignore the behest of a strong-willed Arab government. If one adds to these problems the PLO's difficulties of reaching decisions under its consensus system, it is evident that much of the PLO leaders' time and energy must be devoted to trying to reconcile internal viewpoints and to negotiating support from Arab states. In the process, less attention has been paid to the issue of major concern to the Palestinian people in the West Bank, in Gaza, in the refugee camps and elsewhere—namely, how to achieve a Palestinian homeland.

The Sub-committee gained the impression that King Hussein was acutely aware both of the slowness of the process of PLO accommodation and also of how time and Israel's actions in the West Bank were relentlessly cutting down the options available to the Palestinians. It was this awareness that presumably prompted him, in late 1982 and early 1983, to talk to Arafat and to try to work out a response to the Reagan proposals. His aim was to persuade Arafat to give the Jordanians a mandate to negotiate for the Palestinians and to give priority to finding a basis for settling the West Bank. The approach on which they reached tentative agreement, but which was repudiated at the time by the PLO Executive Committee, was a federation between Jordan and a Palestinian state in the West Bank.

Jordanian leaders with whom members discussed these earlier, unsuccessful Jordanian-PLO talks spoke openly of the need for the PLO to abandon consensus politics. The attacks to which Arafat and his PLO associates were being subjected at that time in Tripoli by PLO dissidents gave piquancy to their argument that Arafat should give up the impossible task of trying to satisfy all factions. Instead, the Jordanians urged him to concentrate on the needs of the moderate West Bank Palestinians who are ready to seek a compromise with Israel. By late 1984 it was clear that Arafat and the Fatah faction were prepared to move somewhat in this direction by holding the long-delayed PNC meeting in Amman without the presence of the Syria-based factions. At the Amman meeting the split within the PLO was confirmed and the moderates were able to assert more authority. Some headline members of the PLO Executive Committee who remained in Syria were replaced by PLO moderates including two West Bank mayors, one of whom was subsequently assassinated.

In February 1985 Arafat was finally able to conclude an agreement with King Hussein. The King is quoted as saying that this Jordanian-Palestinian pact for a joint negotiating team represented an historic commitment by the PLO to negotiations with Israel on the basis of exchanging land for peace as called for in Resolution 242 and a future confederation between Jordan and a Palestinian state on the West Bank. Even so, in the agreement, Arafat apparently did not feel secure

enough to recognize Israel explicitly or to endorse UN Resolution 242 specifically, the two basic prerequisites to moving the peace process forward decisively. As soon as the agreement became public, Arafat met heavy criticism from some of his closest colleagues. Since then various contradictory interpretations of the pact have been issued from PLO sources.

For both Arafat and Hussein, the course of action the King has espoused involves considerable risks. Reiterating Jordan's support for the Reagan Plan, Jordanian Foreign Minister Kasm put the situation to members succinctly when he noted that "Jordan risks everything by negotiating. If the talks succeed, the Palestinians and Arafat would gain, but if they fail, Jordan would be disadvantaged."

The risks for Arafat are even greater than those President Sadat had faced when he advocated a settlement with Israel. Arafat's agreement to the joint negotiating pact with Jordan has split the PLO even further and he could become a marked man in a factious organization that includes terrorists among its ranks. In March 1985, six dissident PLO groups announced from Damascus that they had formed a new anti-Arafat front to oust him and to sabotage the February agreement he made with King Hussein. Sadat's ultimate fate must cause Arafat to move cautiously. There is no question that the PLO leader's position is enormously difficult. Mr. William Barton, former Canadian Ambassador to the United Nations, described Arafat's circumstance as that of a person

riding a horse which wants to go in opposite directions at the same time. . . . His personal instincts are relatively moderate . . . but if he is going to stay in power he has to placate all sides and keep up a front that indicates he supports all sides, so he says the things he does and behaves the way he does. (28:25)

Nonetheless it is worth observing that time and each new war seem to be working against the Palestinian people. The adjustment of the PLO to each Israeli 'fait accompli' is always delayed and in the meantime, the Palestinians' hope for attainment of a homeland fades. Moreover there is a difference in the approach of West Bank and Gaza Palestinians from the Palestinians in other areas, probably due to the differing circumstance in which they find themselves. On the one side, those living outside either the occupied territories or Jordan are likely to be the Palestinians or their descendants who in 1948 lost homes and property in what is now Israel and who fled as refugees to neighbouring Arab states. Many of these still dream of returning to their family homes and towns within Israel. On the other side are those Palestinians living in the occupied territories, who have never left their towns, as well as many in Jordan who have continuing connections with relatives in the West Bank.

It has been difficult for the Palestinians in the occupied territories to give expression to their viewpoint. The few remaining elected officials like Mayor Freij face dangers and constraints in trying to fill the gap. With no elections to renew even locally-elected officials since 1976, it is the leaders of the PLO, almost by default, who speak for them. Yet since the PLO leaders live abroad, in the main they have reflected the perspective of the Palestinian diaspora more strongly than that of the Palestinians in the occupied territories.

The aspirations of Palestinians in the occupied territories is for an end to daily Israeli control of their lives and the achievement of a measure of self-government. Faced with the realization that this prospect is being eroded, this group increasingly recognizes that the PLO policy of total resistance to Israel is not promoting their interest, which they believe lies in some kind of accommodation with Israel. The mayors, inhabitants and students of the West Bank and Gaza have watched the growth of settlements and listened to the statements of Israeli government spokesmen and can hardly fail to feel that their plight is being sacrificed to the ideological concerns of some Arab governments and the PLO leadership in the diaspora. Many of them are bitter that other Arab states and the United States have not been able to persuade Israel to freeze settlement growth or to bring Israel to the bargaining table with the Palestinians to discuss the Palestinians' aspirations.

Mayor Freij told the Committee in unequivocal terms of his personal preference as to how to move the peace process forward:

I want the PLO and the Palestinians to announce clearly, publicly and squarely that they accept and recognize the right of Israel to exist as a sovereign and independent state, on a mutually reciprocal and simultaneous basis. (48:12)

This action, he said, would "open the door" for the PLO and give the Palestinians credibility in every capital in the world, including the United States. Another Palestinian witness, Mr. Sami Hadawi made a similar suggestion that "in order to break the deadlock, simultaneous initial reciprocal recognition of the disputing parties would be a fair approach".

There are other indications of the special concerns of the West Bank and Gaza Palestinians. During the Hussein-Arafat discussions in 1983, a petition among West Bank political leaders was sent to a meeting of the Palestine National Council, conveying the West Bank Palestinians' sense of urgency for peace negotiations. When the Sub-committee visited the occupied territories, an Arab mayor explained that because Israel had prevented the growth of an indigenous Palestinian leadership, the PLO had been left to speak on their behalf. "We have been trying to make our voice heard. Bitterness is growing in everyone's heart," he said. He judged that if the West Bank and Gaza were returned to the Palestinians, the PLO support would disappear there. In February 1984, a delegation of prominent West Bank Palestinians submitted a petition in Amman addressed to Yassir Arafat, urging him to cooperate with King Hussein for "the conclusion of the occupation" and for "protection of Palestinian national rights". No mention was made of a Palestinian state headed by the PLO. When two radical factions within the PLO claimed that they were responsible for the January 1984 bus explosion in Jerusalem, local Palestinian notables in the city strongly condemned the explosion. At the November 1984 PNC meeting in Amman, a prominent ex-mayor from the West Bank was prepared to endorse King Hussein's call for a joint Jordanian-Palestinian peace proposal on the basis of UN Resolution 242 despite the opposition of prominent PLO members such as Faruk Kaddoumi. After the Amman meeting, ex-mayor Shawa of Gaza was openly critical that the PLO had not made a definite decision to move "closer to Jordan and Egypt and create a real nucleus of moderate Arabs".

Although the PLO's position has evolved some distance from the 1964 Covenant articles, quoted above page 39, and while there are now significant PLO elements not insisting on "the elimination of Zionism in Palestine", the current official PLO approach is still quite opposed to Mayor Freij's "mutually reciprocal and simultaneous" recognition "clearly, publicly and squarely stated".

The basic choice for the PLO is increasingly clear-cut. Should Arafat take a risk for peace for the Palestinians in the occupied territories and cut his moderate centre group free from the constraints of the Arab rulers and of the PLO militants, left and right? Or, should he go on as before, reflecting the consensus view, reacting to the positions of Arab capitals, and watching the last glimmer of hope fade for a Palestinian homeland in the West Bank and Gaza? Some observers consider that the split with the Syrian-based hardliners may be the sign that he is moving in the direction of the Palestinian moderates. Professor Janice Stein of the University of Toronto, appearing as a witness in 1983 predicted the possibility of a PLO split which might be a harbinger to negotiations:

There is a body of opinion that maintains that a split within the PLO will have to take place before meaningful negotiations can begin, that this is not the first time in history that a movement must split, if one of its wings is to enter into negotiations, that this is in fact characteristic of movements that begin as revolutionary movements, and then move to the next phase of negotiation, bargaining and compromise. (40:28)

Whether the early 1985 developments, including Arafat's joint pact with Hussein, will lead to "negotiation, bargaining and compromise" is still questionable. Although Arafat seems interested in directing the PLO toward peace negotiations, he seems unable to take the major step toward peace which recognition of Israel and endorsement of UN Resolution 242 would bring.

D. Prospects for a renewal of the peace process

By early 1985 there had been a series of developments which rekindled hopes for the peace process in the Middle East. In Israel, the Likud government which had been opposed to relinquishing one inch of the West Bank and Gaza, had been replaced by a coalition government led by the Labour leader Mr. Shimon Peres whose party favours compromise and negotiation and a "territory for peace" formula.

In Jordan, King Hussein has moved carefully, re-establishing links with Egypt, the one Arab state to recognize Israel, agreeing to the holding of the PLO's National Council meeting in Amman and, in February 1985, concluding an agreement with Yassir Arafat for a joint Jordanian-Palestinian negotiating team for future peace talks. Moreover, despite the King's earlier disillusionment with, and outspoken criticism of, the United States, he now appears to recognize the United States as the only state with the credibility and the authority in both Israel and the Arab capitals to act as a catalyst or as a mediator.

For its part, Egypt is gradually being accepted back into the moderate Arab fold and President Mubarak set an example to the moderate states with positive

proposals including an appeal to the United States to meet a Jordanian-Palestinian delegation to restart negotiations. In addition, the fact that the deputy foreign ministers of the United States and the Soviet Union met in Vienna in early 1985 to discuss the Middle East can be construed as a constructive development even though no agreement between them materialized.

Among other hopeful signs in the Middle East is the wider acceptance by Arabs that Israel cannot be defeated militarily. It has been demonstrated convincingly that Israel has the most effective armed forces in the region. Furthermore the Arab states are now largely convinced that Israel can count on United States support in the event that it should suffer a military reversal. For the present at least, a greater number of Arabs than heretofore has been persuaded that there is no practical means of resolving the dispute other than by recognizing Israel's existence and trying to achieve the withdrawal of Israeli forces from the West Bank, Gaza, the Golan Heights and East Jerusalem through negotiations and agreement.

As Committee members heard, many Palestinians, especially those living in the West Bank, Gaza and Jordan, have for some time held similar views. It would appear that a majority of Palestinians in the occupied territories and Jordan want to proceed as soon as possible to seek an accommodation with Israel. They are increasingly concerned by the growing radicalization of their youth, a reaction born of 18 years of continued Israeli occupation, exacerbated particularly by the settlement policy of the Likud government. In the opinion of these Palestinians, it is important to start serious negotiations before Israeli settlers are too deeply entrenched to be moved out and before too many of the Palestinian youth conclude that violence is the only solution. Another factor that may have promoted a stronger Palestinian inclination for a negotiated settlement results from the Israeli invasion of Lebanon. The shattering of the PLO mini-state in south Lebanon and the dispersal and departure of PLO guerrillas dealt a crippling blow to those Palestinians still hoping for the 'liberation' of Israel and the occupied territories by an armed struggle.

Yet there still are many serious problems delaying the peace process. The new Israeli government's highest priorities on taking office were the country's serious economic crisis and the withdrawal of Israeli troops from Lebanon. The latter objective has been achieved. When Prime Minister Peres is able to turn to the problem of the West Bank and Gaza, the differences over policy directions may prove extremely difficult for the Labour-Likud Cabinet to resolve. Moreover, time for the present Israeli Prime Minister is very limited. Under the coalition agreement timetable, Mr. Peres will be succeeded in October 1986 by the Likud leader who is far less flexible in respect to the future of the occupied territories.

It has probably been disillusioning to Jordan and Egypt that the other moderate Arab states have not come out with stronger support for their peace initiatives of early 1985. Saudi Arabia, for example, has been very low key in its support; at least publicly, and the Arab Gulf states said little, as did Algeria. Nor as yet has Washington moved into the sort of active encouragement of King Hussein's latest effort to revive the peace talks that he would have wished.

As for the PLO, events have demonstrated how divided the leadership is even without the Syrian-based dissidents. After the Arafat-Hussein agreement for a joint negotiating delegation was concluded on February 11, 1985, the Jordanian leader stated that the agreement meant the PLO had accepted the land-for-peace formula of UN Resolution 242 in a way that would lead to the recognition of Israel by both Jordan and the PLO. This interpretation was supported by President Mubarak and senior Jordanian officials. Subsequently there were a number of differing interpretations by PLO members as to what the agreement meant including a "clarifying" statement by the PLO Executive Committee on February 20 which endorsed the agreement but continued to reject PLO adherence to UN Resolution 242. In the face of these contradictory comments, Jordan made public the text of the agreement on February 23. This action prompted further 'clarifications' such as the statement of PLO Central Committee member, Ibrahim Ayyash, who claimed the agreement had indeed accepted UN Resolution 242. Arafat himself in an interview a week later refused to respond directly to specific inquiries as to whether he accepted UN Resolution 242 as implied by the Jordanian-PLO accord. Instead he equivocated: "we are committed to the agreement we signed and its mechanisms". In addition to this confusion regarding UN Resolution 242, King Hussein's assertion that the PLO has given up its demand for an independent Palestinian state does not appear to be supported by public PLO statements.

As is evident, the reaction and policies of the PLO need resolution and clarification if the peace process is to be advanced and if Palestinians are to be chosen whom the PLO and Israel will accept as negotiators on a joint Palestinian-Jordanian negotiating team.

Other major obstacles remain. Should Jordan and the Palestinians be able to form a negotiating team backed by the PLO which indicated it was ready to recognize the existence of Israel, the Israeli coalition government would be put on the spot. At the time of the formation of the national unity government the Likud partners insisted on retaining the right to veto any change in the status of the West Bank and Gaza.* In this situation, the Israeli government might be unable to respond to a call to negotiate by Jordanian-Palestinian and Egyptian delegations. It might even be necessary for the government to seek a new electoral mandate to negotiate.

All in all it is a complex situation with a not altogether optimistic outlook for an early renewal of negotiations. The Committee does not underestimate the difficulties which will confront the negotiators in any talks if and when they begin. In view of the tension and suspicion felt by all parties, Western nations should do all they can to offer balanced encouragement and support to the parties involved. Against this background, the Committee considers that Canada should play its part in supporting and encouraging Israel, the Palestinians and the moderate Arab states, especially Jordan and Egypt, to try to find accommodation in a renewed peace effort.

* The Basic Policy Guidelines of the Israeli coalition government drawn up in September 1984 stated that "during the term of office of the unity government, there will be no change in the sovereignty over Judaea, Samaria and the Gaza District except with the consent of the Alignment and the Likud".

E. Canada's Position

1. Canada's early involvement in the Arab-Israeli dispute

In 1947, Lester Pearson, at the time Under-Secretary of State for External Affairs, was elected Chairman of the United Nations First Committee which deals with political and security matters. Britain's announcement that year that it was relinquishing its mandate and withdrawing from Palestine caused an international crisis. With tension and violent conflict between Arab and Israeli people threatening the peace, the question was immediately placed on the agenda of the United Nations, which referred it to its First Committee, which in turn recommended the establishment of a Special Committee on Palestine (UNSCOP) to examine and recommend solutions to the problems there. The Canadian delegate to UNSCOP was an eminent jurist, Mr. Justice Ivan Rand, who played a central role in formulating the recommendations of its majority report. That report called for the partition of Palestine into an independent Jewish state and an independent Arab state; these were to be linked by an economic union, and Jerusalem was to be given a separate international status.* The terms of the UNSCOP majority report were incorporated into a partition plan that was adopted by the United Nations General Assembly on November 29, 1947 as Resolution 181, with Mr. Pearson playing an active role in securing its passage. While the UN plan was accepted by the Jewish community in Palestine, the Arab states rejected it. Professor John Sigler, a witness before the Committee summed up Canada's early role this way:

That U.N. Special Committee on Palestine would never have reported a partition plan, given its divisions, had it not been for Judge Ivan Rand. He was the key person who, very early on, became committed to the idea of a Jewish state. He was the one who saved the recommendation. With Rand having played the key role in creating the report on partition and Pearson getting it through the United Nations, I think it demonstrated that Canada played a critical role in the creation of the State of Israel, in terms of the United Nations. (24:27-8)

Mr. Pearson was also active in resolving British and United States differences over how the British mandate should end and how the two separate states could be established. Zionists were so grateful to Canada and to Mr. Pearson for the part he played in the whole process that they called him "the Balfour of Canada".

As soon as the UN General Assembly accepted the partition plan for the division of Palestine into separate Jewish and Arab states, and the United Kingdom relinquished its mandate**, civil war erupted between the Arab and Jewish communities. The new state of Israel was proclaimed in May 1948 by Israeli authorities with territorial boundaries as set out in the partition plan.

By 1947 Jews made up almost one-third (31.7 percent) of the total population of Mandated Palestine, their numbers having increased dramatically due to the Nazi terror in Europe. The remainder of the Palestinian population (68.3 percent) were

* The minority report of UNSCOP called for a federal state with Arab and Jewish components.

** After World War I the former Ottoman territories of Greater Palestine were divided along the Jordan River between Mandated Palestine and the Emirate of Transjordan. The latter became the independent state of Jordan in 1946.

Arabs. However, the UNSCOP majority plan on which the partition resolution was based assigned 56 percent of the territory to the Jewish state, which had a population equally divided between Jews and Arabs, and 43 percent to the Arab state, with Jerusalem comprising the balance.

The Arabs rejected the plan as unjust and illegal and the neighbouring Arab states declared war on Israel, determined to overthrow the new state. They failed in the attempt and Israel was left in possession of about 67 percent of the territory of Palestine, more than it had been allocated under the UN partition plan. It included West Jerusalem, which was to have been internationalized under the partition plan. Canada recognized the new state of Israel in December 1948 before the fighting had ended. The other part of the partition plan, a state for the Palestinian Arabs, never came into existence.

Canada as a member of the Security Council at that time supported the ceasefire and Mr. Pearson was one of the main drafters of the UN resolution calling for an armistice, the nomination of a mediator, and the establishment of a conciliation commission.* In the subsequent process, he played a decisive behind-the-scenes role in achieving a compromise on Israel's boundaries between the original UN partition plan and the extended borders gained by Israel in the civil war. In 1956, Mr. Pearson again played a central role at the United Nations. International acceptance of his proposal for a UN peacekeeping force in the Canal zone and the Sinai permitted Britain, France and Israel to withdraw their forces from Egypt.

In respect to Jerusalem, Canada helped to draft and supported the 1947 UN resolution calling for the internationalization of the city. Canada modified its policy somewhat in 1949, on the pragmatic grounds that neither Jordanians nor Israelis were likely to agree to internationalization and took the position that internationalization should be imposed only where necessary for the protection of the holy places. In 1967, Canada supported a UN resolution asserting that Israel's annexation of East Jerusalem after the Six-Day War was invalid and called on Israel not to take any measures to alter the status of the city. Canada maintained that the status of Jerusalem must be resolved as part of a wider settlement of the Arab-Israeli dispute.

By the time of the third major Arab-Israeli confrontation—the Six-Day War of 1967—the influence and prestige Canada had wielded in the UN in the late 1940s and mid-1950s had declined. Even though Canada still saw itself as able to play the peacekeeper role, there was a certain resistance from Arab states to what they perceived to be the lack of balance in Canada's approach—on the one hand, a deep commitment to the state of Israel with no parallel commitment to the rights of Palestinians to a homeland, and on the other, its minimal relations and trade with the Arab states of the area. Prior to the outbreak of the 1967 war, Egypt's President Nasser demanded that the United Nations order the withdrawal of the UNEF forces, including the Canadian contingent, a move protested by the United States,

* Jordan alone among the Arab states seemed prepared to accept the armistice frontiers and, in 1950 placed the territory which its forces had occupied, generally known as the West Bank, under its jurisdiction, despite the objection of other Arab states. An Arab government was set up in Gaza under Egyptian trusteeship, but Egypt never annexed Gaza.

Britain and Canada. Canada took the lead in trying to persuade the Security Council to keep UNEF from being withdrawn, a move which evoked the hostility of the Egyptian government and which President Nasser described as making "UNEF an instrument for implementing imperialism's plans". Three days after Mr. Pearson told American President Johnson that the Canadian contingent would remain in Egypt as long as possible in case it should be required to support any new peacekeeping arrangements, President Nasser ordered UNEF's Canadian contingent of 800 men to leave Egypt within 48 hours because of "the Canadian government's biased stand in favour of Israel". After the 1973 October war, Egypt resisted Canadian participation in the proposed UN peacekeeping force, mainly because of the events of 1967, but eventually accepted a Canadian contribution of logistical support.

This negative image of Canada in the Arab world was reflected in 1973 when the Arab oil producing countries cut their oil deliveries to Canada by 22 percent, classifying Canada as a "neutral" country that was generally pro-Israel in its policies. In contrast, France's imports were not embargoed at all, as it was considered to be supportive of the Arab position, while oil supplies to the Netherlands and the United States were cut off completely.

These several events led to the development by the Canadian government of a comprehensive policy toward the Middle East as a distinct region. Arab oil at the time accounted for 25 percent of Canada's oil imports, yet there were no Canadian embassies or even consulates in the major oil producing states of the region. The government moved to rectify this gap, beginning with the establishment of an embassy in Saudi Arabia. By 1985 Canada had diplomatic posts in 11 Arab countries in North Africa and the Middle East. Canadian relations have gradually developed and diversified with the region. Trade, economic, energy and cultural agreements have been concluded and ministerial visits have become numerous. Arab suspicions of Canada's Middle East policies have gradually abated in recent years.

2. Canadian policies relative to the peace plans

As an active and interested member of the international community, Canada has taken positions on the four peace plans which are currently in play and which were described on pages 11 to 19 of this report.

Canada has continuously supported UN Resolution 242's call for the right of Israel to live within secure and recognized boundaries, as well as for the withdrawal of Israel from "territories occupied" in 1967. It has been careful not to set forth a specific interpretation of the extent of the withdrawal nor of the eventual borders of Israel—issues which it has said should be negotiated—although it has specified that withdrawal should be on all fronts. Canada maintains that Resolution 242 is still a useful basis for negotiations. The resolution's omission of any reference to Palestinian rights has been dealt with in subsequent Canadian policy statements such as that of the former Secretary of State for External Affairs, the Honourable Allan

J. MacEachen, to this Committee, which specified the need to achieve a realization of the legitimate rights of the Palestinians "including their right to play a full part in negotiations to determine their future and their right to a homeland within a clearly defined territory, the West Bank and Gaza Strip." The present Secretary of State for External Affairs, the Right Honourable Joe Clark, in a speech to the UN General Assembly in September 1984 affirmed Canada's continued support for the UN resolution and reiterated its support of Palestinian rights in virtually identical terms:

We strongly support a just and comprehensive solution to the Arab-Israeli dispute based on Security Council Resolution 242, which provides for the right of all states, including Israel, to live within secure and recognized boundaries. We also support the realization of the legitimate rights of the Palestinians, including their right to a homeland within a clearly-defined territory, the West Bank and Gaza Strip.

From the beginning of President Sadat's dramatic trip to Jerusalem, Canada has been a strong supporter of the developments that led to Camp David and of the Accords themselves. Letters of encouragement were sent to President Sadat and Prime Minister Begin. The government pointed out to both Egypt and Israel actions which it considered might be helpful to the peace process and it encouraged other countries to join in this process. The government was also supportive of the Reagan Plan of 1982, with policy statements noting particularly its emphasis on full autonomy and self-government for the Palestinians in the West Bank and Gaza within the Camp David framework.

Changes in Israeli policy particularly during the late 1970s and early 1980s led to a number of areas of disagreement between Canada and Israel. Specifically, Canada went on record as opposing the continuing Israeli occupation of the West Bank and Gaza, the annexation of East Jerusalem and the application of Israeli law to Golan Heights. Israel was criticized not only for the dismissal of elected Arab mayors in three West Bank towns, but also for West Bank university closings by the military authorities. Canada voiced opposition to the continued growth of Israeli settlements and demanded a freeze on such settlements.

Canada's position on Israel's policies was set forth by the Secretary of State for External Affairs when he spoke to the Committee in 1983:

Canada has made it clear to Israel that we cannot accept the position that it has gained the right to retain permanent control over the occupied territories. We are deeply concerned over action which Israel has taken on the ground to extend its control: its annexation of East Jerusalem and the Golan Heights as well as its establishment of settlements in the occupied territories. We regard these actions as contrary to international law and extremely unhelpful to the peace process. . . . The repeated assertions by Israeli spokesmen that Israel will never withdraw from these territories, coupled with the announced determination to increase the number of Israeli settlements in them and to reject any suggestion about their removal in any peace arrangement, seriously undermine the possibility of successful negotiations leading to a permanent and secure peace. (37:10)

In September 1982 after President Reagan had proposed his new plan for Middle East peace, the Minister of State for External Relations, the Honourable

Pierre De Bané welcomed the development and stated that Canada was in accord with the main lines of the Reagan proposal, specifically:

- the insistence on security for Israel and on full autonomy and self-government for the Palestinians on the West Bank and Gaza in the Camp David framework;
- the participation of Jordan and the Palestinians in the autonomy talks. We have noted with particular interest the desire of King Hussein of Jordan to work out with the Palestinians a position on the region's future;
- the opposition to Israeli annexation of the territories.

However, on the question of what sort of self-governing entity the Palestinians would have, he said:

While we would have no problem with self-governing Palestinians on the West Bank and Gaza in association with Jordan, we would not rule out the possibility of a Palestinian state. For Canada the key is that we do not want to prejudge the outcome of eventual negotiations among the participants when they sit down to talk.

Mr. De Bané also spelled out the Canadian reactions to the Fez plan at the same time:

- we welcome reference in the plan to Security Council guarantees for peace. We would hope to have more details on this position, particularly the way in which all states in the region would be secure and have recognized frontiers;
- the Fez ideas will have to be judged on whether they can assist in moving the peace process forward. We note that there is little in them that deals with a mechanism of negotiations which we consider important;
- if the plan leads to negotiations for a balanced settlement in the Middle East which respects the principles of Resolution 242 then we think that a positive first step will have been taken.

Mr. MacEachen told the Committee that Canada welcomed the Fez declaration as an agreed Arab view on a resolution without ruling out other approaches to the problem such as the American initiative. He said that the government had seen the Fez reference to Security Council guarantees for peace as "a positive development", but he urged that the apparent recognition in the declaration of the existence of Israel be made clearer.

3. Positive steps that could be taken

Canada is keenly aware that the situation in the Middle East is explosive, constituting a threat to world peace. Although its role and influence in the Arab-Israeli dispute are limited, Canada has growing trade and other interests in the area to advance. These factors have caused the Canadian government to follow the events of the Arab-Israeli dispute closely and to support and encourage reasonable efforts to promote reconciliation and a peaceful resolution. There are certain steps, in the Committee's view, that the parties centrally involved could be encouraged to take that could advance the peace process.

Restraining the harsh rhetoric

The Committee recognizes that even with some forces for moderation on both sides, the gulf between the two remains very wide. It has not been helped by the use of strong rhetoric by the protagonists which makes accommodation almost impossible. Under the former Israeli government, Likud leaders frequently made statements concerning the future of the West Bank and its Palestinian inhabitants that could only be characterized as provocative, not only to those Palestinians themselves but to the Palestinians in the diaspora and to Arab states as well. Fortunately by 1985 with the change of government, such statements by Israeli government spokesmen have subsided. On the other side, in addition to the Palestine National Covenant's articles, PLO leaders have indulged in extreme statements as to the future or even the existence of Israel that are just as alarming to Israelis. For the most part, the threatening statements of the spokesmen for the PLO mainstream have also subsided, but unfortunately, the same cannot be said for the more extreme Syrian-based factions of the PLO.

Restraint on both sides could help calm the suspicions generated by years of bitter conflict. It is to be hoped that the softening noted in 1985 of the earlier harsh tones of rhetoric of the two main contending parties will persist, thereby easing the path to the bargaining table.

Curbing of terrorism and violence

Curbing of terrorism would be an important way to improve the atmosphere. Acts of terrorism against Israeli citizens still occur and groups within the PLO claim credit for them. The Committee has already, in its meetings with PLO representatives, strongly urged that it formally commit the organization to reject the use of terrorism. While this would not be easy, as there are hard-to-control militant elements within the organization, the effect on Israel and on world opinion would be very significant.

Violence against Arabs in the occupied territories by Israeli extremist groups has also been a problem. An important action that the previous Israeli government took in 1984 was to begin to bring to trial Jewish settlers identified as having committed acts of terrorism and violence against Arabs living in Israel, Gaza, and the West Bank. The Committee has noted that the Israeli government has taken action to stem anti-Arab violence by Jewish extremist groups in the occupied territories. Israel's inquiry into the circumstances of the death of the two terrorists captured after they kidnapped a bus full of Israelis in April 1984 can also be viewed as a response that may help to improve the atmosphere. As mentioned earlier, these positive developments followed the findings of a special Israeli judicial commission that pinpointed in its report the leniency of the police toward Jewish settlers suspected of violent crime.

Easing of restrictions

As noted earlier (page 30), some restrictions affecting Palestinians in the West Bank have been eased since the Israeli coalition government came to power in

September 1984. These are positive, initial moves which should help alleviate some of the burden of occupation which Mayor Freij described as so troubling. If they are continued and if they are responded to positively by the Palestinians, they could constitute the type of confidence-building measures necessary for successful negotiations.

Another important move that could improve the atmosphere and that could help lead to a more normal political process in the occupied territories would be to allow some of the former West Bank and Gaza Palestinian leaders now in Jordan to visit and talk to their people. Because Egypt and Jordan have long been advocating an easing of restrictions in the occupied territories, such increased mobility could help bring about the establishment of more normal relations between Israel and Egypt and a gradual improvement in relations between Israel and Jordan.

Halting of settlements

A most valuable action to diminish frictions in the West Bank would be the halting of Jewish settlements. During the seven years of the Likud government, nearly 100 new settlements were established in the occupied territories. Canada has been a critic of these settlements. As Mr. MacEachen told the Committee:

The settlements have greatly increased in number, area and total population since the mid-70s when we began to criticize their establishment. We would like to see an end to settlements activity, not just a freeze. (37:10)

The agreement on which the national coalition government in Israel was formed in 1984 stated that five to six settlements would be established within a year. In January 1985, sites for six new Jewish settlements were approved by the coalition government, two in the northern part of the West Bank, two in the Hebron area, one in the Jordan valley and one in the Jerusalem area. While the specific location for these settlements was chosen, financing for them has not yet been approved. In the Committee's view, the Canadian government should continue to urge Israel to end, not just freeze, settlement activity in the West Bank and Gaza.

A number of observers maintain that the settlements program in the occupied territories has already advanced to a point where it cannot be reversed. Pointing to the resistance of settlers moved from the Sinai in 1982, they judge that the existing West Bank settlements could constitute an insurmountable political obstacle to eventual agreement. Mr. Benvenisti, the author of the West Bank Data Base Project, puts the emphasis on the economic and infrastructural links being forged and concluded that the growth of Jewish settlements has reinforced the road and water links as well as the economic patterns integrating the West Bank with Israel. Together with the administrative and legal arrangements they constitute a *de facto* annexation of the occupied territory which, in his opinion, has passed "the point of no return".

A somewhat different perspective was garnered by the Sub-committee in its visit to West Bank settlements. From conversations with residents and from observations, it was apparent that many settlers would voluntarily withdraw if their

settlement were to cease to be under Israeli administration as a result of a negotiated solution. Further, Professor Janice Stein brought forth other arguments before the Committee in support of her disagreement with the contention that settlements were irreversible:

If we look at the demography, I don't think that that prognosis will be substantiated. There are presently 25,000 settlers on the West Bank. Two-thirds of those are children. We are talking therefore of approximately 8,000 adults. Of those I would suspect that four to five thousand are deeply committed ideologically, and would put up a major challenge to any regime that attempted to evacuate them from the West Bank and Gaza Strip. Putting that statistic within the larger context of transitional arrangements extended over the same period, it does not seem to me that that is an insuperable obstacle.

The new settlements currently under discussion, are, in fact, urban settlements, which attract those who face housing shortages, and can solve their housing problems by availing themselves of the opportunities for extremely attractive mortgage rates within commuting distance of major Israeli centres. That group, I think, has a much shorter, more instrumental perspective. It is not motivated by ideological purposes, and would respond, quite quickly, I suspect, to offers of compensation that an Israeli government might make in response to successful negotiations. In short, I do not think that the process will become irreversible within a short term. However, if no progress is made in bringing the parties to the negotiating table over the long run, this clearly will be a major stumbling block. (40:17-18)

Many of the settlements are only viable through indirect support in the form of contracts and loans for the local factories and preferred access to markets for their produce. There would, however, be a hard core of zealots who would do their best, as they did in Sinai, to disrupt Israel's withdrawal.

The Committee agrees with the 1983 statement of the former Secretary of State for External Affairs, Mr. MacEachen, who said that:

the repeated assertions by Israeli spokesmen that Israel will never withdraw from these territories, coupled with the announced determination to increase the number of Israeli settlements in them and to reject any suggestion about their removal in any peace arrangement, seriously undermine the possibility of successful negotiations leading to a permanent and secure peace. (37:10)

In the Committee's opinion the reversibility of settlements would be feasible but only as part of an overall political agreement in which Israel would undertake responsibility for the removal of the settlers from the settlements.

Palestinian representation in negotiations

In the hoped-for negotiations, the question arises as to which interlocutors on the Arab side would have the confidence of the Palestinians and still be acceptable to the Israelis. Israel has refused to recognize the PLO as spokesman for the Palestinians. Within the occupied territories, Israel has neither permitted the formation of local political groups nor allowed Palestinians to coalesce around existing elected Palestinian officials. Of the Palestinian Arab mayors who were elected in 1976, many have been deposed or deported by Israel. Those who remain must be careful about their statements. For its part the PLO has tried to prevent the emergence of political leaders in the occupied territories whose views would not follow closely those of the PLO.

But as Mr. Stanfield observed "one does not solve the problems relating to representation of the Palestinian people simply by saying that we should not recognize the PLO". He suggested that the best way to find Palestinian interlocutors was by holding elections within the occupied territories. He pointed out that:

The Camp David Agreements envisaged representatives of the Palestinians taking part in negotiations concerning the Camp David process, and the Camp David process envisaged those representatives being elected for the Palestinians on the West Bank. But those elections have never taken place. . . . In my view, Canada should develop a position as to how Palestinian representatives should be chosen. It is my view that it is pretty hard to improve on elections. . . . (32:9-10)

It is important to distinguish for which stage elections are called for in the Camp David Accords. The text of the Accords is somewhat confusing. A clear summary of the step-by-step procedure called for by Camp David was provided in the testimony of the Canada-Israel Committee:

The Framework Agreement dealing with autonomy in the West Bank and Gaza, agreed to as part of the Camp David Accords, provides for negotiations in two stages. In the first stage, which would lead to the establishment of an interim period of autonomy, the parties to the negotiations would be Egypt, Israel and Jordan, and there are provisions for Palestinian representation in the delegations of Egypt or Jordan. Once this agreement has been achieved, elections would be held among the Palestinians to determine the membership of the autonomous governing entity for these territories. These Palestinian representatives, as elected by the Palestinians, would then be a principal party to the second-stage negotiations, in which all of the parties concerned would negotiate an agreement on the final status of the West Bank and Gaza. (35A:16)

Mr. Stanfield's general statement in favour of elections in the West Bank and Gaza as part of the Camp David process was not specific as to which part of the procedure he was referring to.

Whether or not Mr. Stanfield had this in mind, there are obvious attractions to holding elections to choose Palestinians to form part of the Jordanian and Egyptian delegations for the first round of negotiations. However, there are also major problems in such a course. The Israeli government has in the past permitted elections in the occupied territories for local governments. Would this be the purpose of new elections? Or would the elections be specially organized to select candidates for negotiations? In either event, would candidates be constrained from advocating an independent Palestinian state in the course of such elections? Even if elections without constraints were accepted by the Israelis, some Palestinian candidates wishing to promote moderate compromise positions not fully in accord with those of the PLO might feel pressured by the threat of terrorist tactics of some Arab extremists. The assassination in 1983 of Issam Sartawi, a moderate PLO member who was in contact with moderate Israelis, was a reminder of this danger, as was the murder in late 1984 of ex-mayor Fahid Qawasmī of Hebron, a moderate PLO member who at the Amman meeting was elected in the place of a hardline dissident to the PNC executive.

The most important drawback to such elections, however, was recognized by Mr. Stanfield himself when he admitted that it would not result in representation for the Palestinians not living in the West Bank and Gaza. He commented that this gives weight to the "arguments of those who sought to have the PLO recognized" as the

only agency or organization that can represent the Palestinian people "wherever they find themselves in the Middle East".

For the present, the major goal must be the holding of negotiations to complete the first stage of Camp David. To select negotiators able to represent the interests of the Palestinian people, without running into major political problems, it may be appropriate to turn to the group of Palestinians, some of whom have been elected to various offices in the past, including mayors or ex-mayors in the West Bank and Gaza, ex-mayors now living in Jordan and Palestinian members elected to the Jordanian Parliament. In other countries, there are also distinguished Palestinians, some academics, who are not PLO members who might agree to serve. Finally, there are several moderate Palestinians in the Palestine National Council who do not appear to be PLO members. Such Palestinians might be suitable representatives.

Since the Arafat-Hussein agreement in early 1985, Jordan and Egypt have been attempting strenuously to form a delegation comprising Palestinians acceptable to Israel so talks could begin. The Committee is persuaded that it is in the interest of the Palestinian people to take advantage of the opportunity for participating in negotiations by proposing moderate non-PLO Palestinians as their representatives as soon as possible to join the Jordanian and Egyptian negotiating body for the first stage negotiations under the Camp David Framework Agreement. As Mr. Stanfield emphasized "there is no other route to a long-term settlement" than negotiations.

Mutual recognition

It is evident that, ultimately, negotiations can only proceed if both sides accept the existence of the other side. The Arabs will have to deal with Israel as a firmly established state and the Israelis will have to admit that Palestinians have a right through centuries of residence to a part of historic Palestine, namely the West Bank and Gaza. But both sides are making the commencement of negotiations more difficult. Israel's insistence that Arab states and in particular the PLO must, as their first move, publicly and formally recognize that the state of Israel exists is matched by the insistence of Arabs that Israel must accept the right of Palestinians to self-determination. Such an approach puts the largest obstacles at the beginning of the course. The Committee suggests to the Canadian government that it urge the two sides to set aside these ultimate objectives of mutual simultaneous recognition and to see what practical arrangements can be worked out. If both sides were able to find mutual benefit through a series of smaller agreements, the formalization of their undertakings could eventually bring with it the mutual recognition that each considers important.

The Arafat-Hussein agreement for a joint Jordanian-Palestinian negotiating team could open the way to such a practical step forward. A flurry of diplomatic activity followed this agreement and proposals were made for meetings between the various parties. Israel said it would talk directly to any Jordanian-Palestinian group if the Palestinians were not members of the PLO. President Mubarak and King Hussein urged the United States to get involved. President Mubarak made several

proposals including one for a preliminary meeting between a Jordanian-Palestinian delegation, the United States and Egypt before meeting with Israel. But whether the PLO can bring itself to give its negotiating mandate, at least initially, to Palestinians who are not declared members of the PLO is not yet clear. If the PLO were prepared to do so, such a series of meetings could make possible a start of the long-awaited negotiations under the Camp David agreement. The question of recognition of Israel by the PLO and the PLO by Israel would no longer be the insurmountable barrier to beginning the talks.

Israel's security and the West Bank

Israelis have a special and understandable concern for their security. Their reluctance to end the occupation of the West Bank, as this report has recognized, reflects a widespread fear that the West Bank in hostile hands could threaten Israel's existence. The Israeli government is more likely to agree to carry out the Camp David undertakings to withdraw civilian administrators and its armed forces from the West Bank in favour of a "self-governing authority . . . freely elected by the inhabitants of these areas" if there were to be some form of interim internationally supported security arrangements set up in the region. The Camp David Accords provide for the withdrawal of Israeli armed forces, a redeployment of some Israeli forces to specified security locations and "arrangements for assuring internal and external security and public order".

In addition, if the principle of demilitarization of the West Bank were to be accepted by the Palestinians and the Arab states and endorsed by the international community it should be easier for Israel to withdraw its forces. Such an arrangement should be for the longer term and it would be important that it could not be modified by any of the parties directly concerned without international agreement.

States which lie between rival powers have frequently had to accept limitations on their sovereignty as the price of their independence. After World War II, Austria agreed to such restrictions when it became apparent that this was the only way to achieve the withdrawal of foreign occupation forces. Many believe that Austria has benefitted from this arrangement. Similar objectives can be achieved through the demilitarization of designated areas of a state, for example as Egypt agreed to the demilitarization of the Sinai as part of its peace treaty with Israel.

For Arabs, the central test of Israeli intentions will be Israel's willingness to accept a Palestine administration in the West Bank and Gaza that involves a genuine degree of self-government. For its part, Israel will find it hard to accept any kind of genuine Palestinian entity. The test for them will be whether the Arabs are prepared to agree to military arrangements that will assure Israel of its continuing security.

An international peace conference on the Middle East

From conversations Committee members have had with Syrians and others, it is to be expected that—the question of Lebanon aside—there would be strong Arab arguments to the effect that peace proposals should only be considered in a major

international conference involving all the interested Arab parties, the USSR, as well as the United States. Even a moderate Arab state like Jordan has called for an international peace conference, a call that was repeated in the Hussein-Arafat pact for a joint negotiating team.

Since the collapse of the Geneva talks in 1977, the Soviet Union has been excluded from the peace process. Yet it is not without influence, especially in Syria and perhaps to some extent in Jordan. It was new Soviet arms that gave Syria much of the strength to resist pressure to accept the terms of the Israeli-Lebanese agreement on the withdrawal of Israeli units from Lebanon. Since the USSR has a veto in the UN Security Council, its exclusion from peace negotiations has led it to veto most proposals for peacekeeping forces in the Middle East. However in 1967 it was one of the backers of the basic document on which all negotiations have initially begun, UN Resolution 242 and, as a Security Council member, it has approved and regularly renewed the mandate of UNIFIL, the United Nations Interim Force in Lebanon.

In the Committee's opinion, at the present time there is no indication that an international conference involving the major powers would lead to a positive negotiating climate for the initial bargaining. In the Camp David Accords the parties most directly concerned, Israel, Egypt, Jordan and the Palestinians, are contemplated as the negotiators. There is now a mechanism in the Hussein-Arafat agreement providing for a joint negotiating team that offers the promise of a possible breakthrough to such negotiations if certain conditions can be met.

However, President Mubarak has suggested that once an agreement has been tentatively worked out between those directly concerned, an international conference might then be called including the United States, the Soviet Union and the three other permanent members of the UN Security Council. Such a second stage conference could confirm the arrangements made at the earlier negotiations among those primarily concerned. It would recognize the fact that the Soviet Union has influence and interests in the Middle East, an acknowledgement which would be important in encouraging a wide Arab acceptance of any peace settlement. Moreover, the Soviet Union is in a position to help improve the atmosphere in the Middle East by exerting a moderating influence on the Syrians and on some elements of the PLO.

4. Jerusalem

For more than 30 years, Canadian governments have taken the position that the status of Jerusalem and of the holy places must, in practical terms, be considered and resolved only as part of a general settlement of the Arab-Israeli dispute. In light of this policy, Canada has never recognized *de jure* Israeli sovereignty over the western part of Jerusalem. Similarly, Canada never recognized Jordanian authority over East Jerusalem. In 1967 Canada supported a UN resolution which stated that the integration into Israel of East Jerusalem after the 1967 war was invalid and which called upon Israel not to take any measures "to alter the status" of the city. It strongly opposed Israel's 1980 law formally annexing East Jerusalem.

Canadian policy shifted abruptly, if only temporarily, in 1979, when then Prime Minister Clark announced that he was prepared to carry out his pre-election promise and move the Canadian Embassy from Tel Aviv to Jerusalem. A storm of protest and threats of trade retaliation by Arab states led the government first, to postpone action to allow for a study of the problem by the Honourable R.L. Stanfield, and eventually, to abandon the proposal after Mr. Stanfield recommended no change in the Tel Aviv embassy location. To the Arabs, the proposed embassy move to Jerusalem, even to West Jerusalem, "implied recognition by Canada of Israel's position on the city, thereby prejudging the outcome of negotiations which have not yet taken place," said Mr. Stanfield. Thereafter Canada resumed its criticism of Israel's Jerusalem policy. In 1980 it specifically condemned the Knesset's formalization of Jerusalem's annexed status. In 1985 when Israeli Foreign Minister Shamir visited Canada and requested that Canada move its embassy in Israel to Jerusalem, Prime Minister Mulroney stated that no change in the location of the Canadian embassy was being considered.

The Canada-Israel Committee criticized strongly Canada's Jerusalem policy. In its testimony, the CIC stated firmly that "the reunited City of Jerusalem, free and undivided, is and must remain the capital of Israel." The CIC made the point that when Jordan had jurisdiction over East Jerusalem prior to 1967, Jews were not accorded access to the holy places, whereas now all faiths enjoy "the right to free and equal access".

The Committee recognizes and approves of Israel's access policy and its faithful and fair implementation by the present Jerusalem municipal administration, which also has the reputation of being sensitive and tolerant towards Arab inhabitants. In his report, Mr. Stanfield also recognized and referred to the "scrupulously fair" access to Christian and Moslem holy places in Jerusalem granted by the Israeli authorities. However, he noted the concern expressed to him by Christians that:

the law which grants such access is limited to an act of the Israeli Knesset which could be altered by a simple majority of that parliament if there should be in future the political will in Israel to do so. (32A:11)

He added that the Pope supported the idea of a special statute providing international guarantees to ensure the unique religious character of the City.

The Committee noted that the CIC, while stating that they did not wish to prejudice the outcome of peace negotiations in any way, were inflexible on Jerusalem. The Israeli government has taken a stance that is equally adamant, insisting it will not bargain on Jerusalem. Its policy has been to press ahead quickly with Jewish housing projects and settlements, strategically planting them among Arab districts in and around East Jerusalem in order to block any future challenge to Israeli sovereignty there. Members of the Sub-committee spent many hours viewing these developments: the new arterial roads being pushed through; the large apartment blocks situated on hilltops; and the new settlements under construction to the north, east, and south of Jerusalem. Members concluded that these developments would make it extremely difficult for any future separation of East Jerusalem from Israel.

The Committee has also noted the very wide support within Israel for the government's policy that a united Jerusalem must remain the capital of Israel. It doubts that the Israeli government's Jerusalem policy would be likely to change, even under a strong Labour government. Only a small minority of Israelis would be prepared to relinquish sovereignty over the city.

The problem that Jerusalem poses for negotiations is that the Arab Moslems will be just as adamant in pressing their claim to East Jerusalem. As Mr. Stanfield pointed out, "the Palestinians and other Arabs believe that East [Arab] Jerusalem is an integral part of the West Bank which many would like to see as the capital of a Palestinian State". Indeed such an objective was specifically stated as a principle in the Fez Charter adopted at the 1982 Arab Summit. The King of Saudi Arabia is the custodian of the chief Moslem holy places, which include Jerusalem as well as Mecca and Medina. Saudi officials told Sub-committee members how affronted they were by the Israeli annexation of East Jerusalem in 1980 and what a central question this was in their thinking. Jerusalem may perhaps be an issue that, for religious reasons, has greater significance for the wider community of Moslems than the question of an independent state for the Palestinians.

The Egyptian Deputy Prime Minister and Foreign Minister Kamal Hassan Ali told members of the Committee that Egypt regards Jerusalem as two municipalities, one being an Arab Jerusalem and the other an Israeli Jerusalem. Egypt proposes a united city with a joint committee to administer the infrastructure. Access to the holy places for all faiths, is an integral element of this proposal, he said.

The Committee has concluded that, on the Jerusalem issue, Mr. Stanfield's report and subsequent government policy has been the appropriate approach. Mr. Stanfield put it this way:

The future of the city should be resolved by agreement in the course of a negotiated comprehensive peace settlement. I do not believe the future of Jerusalem can be separated from the Arab-Israeli dispute or from Jerusalem's own unique religious status. (32A:10)

The Committee considers that Canada should continue with its present stance. This should include not recognizing Israel's unilateral annexation of East Jerusalem and opposing actions by Israel to alter the status of the city. Nor should Canada give any signals that it is prejudging the outcome of negotiations by moving the Canadian Embassy from Tel Aviv to Jerusalem.

While travelling in the Middle East, Committee members explored with both sides the idea of a 'Vaticanization' of Jerusalem, whereby the holy places be denationalized, special boundaries drawn around the area, and a unique administrative authority involving the three religious communities set up. This idea did not arouse positive response from either Arabs or Israelis.

Jerusalem is undoubtedly the largest of many obstacles to some kind of settlement in Palestine. While the issue cannot be avoided, it should not be taken up unless progress has been made in finding accommodation on other less intractable

problems. The Committee suggests that, when the problem is eventually discussed, the Canadian government might urge some kind of special status for the holy places of Jerusalem.

5. How Canada should relate to the PLO

The year 1974 was important in terms of the international standing of the PLO. In that year the Rabat Conference of Arab heads of state confirmed the PLO as "the sole legitimate representative of the Palestinian people" with the right to speak for the Palestinians at any future Middle East peace talks. In the same year, the UN General Assembly invited the PLO leader, Yassir Arafat, to participate in its debate on "The Palestine Question" and granted the PLO observer status at the United Nations. While these developments constituted a significant achievement toward the goal of international recognition of the PLO, they also subjected the organization to increasing internal conflict over what should be the PLO's aims in the Arab-Israeli dispute. On the one hand were those Palestinians and the moderate Arab states that were inclined to move toward a compromise settlement including the recognition of Israel within its pre-1967 borders. On the other hand were those Palestinians that rejected any thought of compromising on their goal of the total "liberation" of Palestine.

The 1974 designation by the Arab Summit of the PLO as the sole legitimate representative of the Palestinians complicated the prospect for future peace talks. Israel no longer had an interlocutor acceptable to it. On the one hand, Jordan no longer had any standing in the West Bank as far as Arab states were concerned. On the other hand, Israel refused to recognize the PLO as a party to negotiations or to have any dealings with it.

More recently, a group of PLO dissidents in Syria led a rebellion and their separation from the main PLO organization was confirmed at the Palestine National Council meeting in Amman in the autumn of 1984. From one perspective this development may have undermined the PLO's claim to be "the sole, legitimate representative of the Palestinian people". It is true, however, that the executive of the mainstream PLO, with several new moderate Palestinians appointed to it, had its mandate confirmed at the Amman PNC meeting. This mainstream PLO group is the one this report discusses.

The then Secretary of State for External Affairs, Mr. MacEachen, told the Committee that the Canadian Government does not officially recognize the PLO, it does not consider the PLO to be "the sole legitimate representative of the Palestinian people" and "it is giving no consideration to doing so". However, Mr. MacEachen said that "because of the PLO's obvious importance among Palestinians, we have made contacts with it on a range of topics in a number of places". He explained that there had been "fairly frequent" exchanges, below the ministerial level, between officials of the Department of External Affairs and PLO officials. "Canada had

tried to counsel the PLO to pursue a political course and to reject violence", he said. He continued:

The question is, is it appropriate, in the pursuit of our objectives, to increase the frequency of these contacts; is it appropriate to increase the level at which the contacts take place, short of any action to formulate recognition of the PLO as the sole representative of the Palestinians? That is the question that is very important to me. (37:16)

It might be useful, the Minister observed, "to increase the level of contact at the ambassadorial level". In October 1983 when he was travelling in the Middle East, the Minister suggested that Canada might think of "upgrading its contacts" with the PLO, but some weeks later he commented that any such upgrading depended on the circumstances. In view of the struggle going on within the PLO at that time, he did not think that the moment was "quite propitious" to implement such a policy change.

In addition to the existing policy on official-level contacts with the PLO, a policy was also formulated to deal with attendance by PLO observers at UN-sponsored conferences in Canada. In 1975 the Canadian government had asked that a UN Conference on Crime scheduled to be held in Toronto be postponed because the government was unable at the time to agree to issue visas to PLO observers at the conference.* The organizers switched the venue to Australia, which raised no difficulty about the attendance of PLO observers. The government subsequently decided that attendance by PLO delegates as observers at UN-sponsored conferences in Canada would be acceptable henceforth, but visa applications would be required and known terrorists would be denied permission to enter Canada. This visa requirement could apply to delegates from any country to such a conference in Canada. Thus, UN conferences such as the Vancouver Habitat Conference of 1976 or meetings and conferences of agencies of the United Nations such as those of ICAO, (the International Civil Aviation Organization) headquartered in Montreal, could include, and in fact have included, PLO observers whose visa applications into Canada have been accepted.

During meetings in the Middle East, Sub-committee members spoke to Canadian officials who had had contact at various times with PLO officials in several Arab capitals. They were told that Canadian Ambassadors, as representatives abroad of the Canadian government, and Ministers of the Crown, had instructions to refrain from meeting any PLO representatives in order to avoid an impression that Canada had moved to grant formal recognition to the organization.

Such information received by the Committee, as well as the statements on existing Canadian policy toward the PLO, caused the Committee to consider what contacts Canadian officials should have with PLO representatives, as well as whether Canada should continue its longstanding refusal to recognize the PLO as the sole legitimate representative of the Palestinian people or move toward recognition.

* Because of its official 'observer' status at the United Nations, the PLO is entitled to attend such conferences.

A number of the witnesses, including Canadian academics, spokesmen for Canadian Arab groups, and Palestinians, urged the Committee to recommend Canada's recognition of the PLO. At meetings with Sub-committee members in the Middle East, Arab leaders emphasized the mandate of the PLO and stressed that without the PLO there would be no one to speak for the Palestinians. In Ottawa, the brief of the Canada-Palestine Solidarity Committee based its case for recognition on the fact the PLO had been clearly identified in polls by a great majority of Palestinians as their preferred representative. Mr. Mouammar argued that failure to recognize the PLO "involved Canada in a dangerous game of failing to encourage negotiations with the real parties". His brief made the point that even within Israel itself there were groups who advocated PLO recognition, and in any case, the Israeli government's refusal to deal with the PLO on fundamental issues should not be a determining factor in Canadian policy. He further maintained that it would be in Israel's "selfish interest" to refuse to deal with the PLO: the PLO was the only accepted representative of the Palestinians, and Israel could in this way avoid negotiations with Palestinians altogether. In his view, Canada would be playing directly into Israel's hands by not recognizing the PLO.

Mr. Hadawi of the Canadian Arab Federation urged that Canada "be courageous enough to act independently and recognize the PLO" and suggested that "the way in which Canada can play a role is to start a dialogue with the PLO and perhaps act as a go-between with the United States and the PLO".

Expressing a contrary view, former Israeli Prime Minister Rabin told Sub-committee members that "promoting the PLO would be no solution". The Canada-Israel Committee also did not think that Canada should recognize the PLO. The CIC's position was clearly spelled out:

The Palestine Liberation Organization can have no constructive role to play in the Middle East until it clearly and unequivocally recognizes the right of Israel to exist, amends its Covenant accordingly, abjures the use of terrorism and violence to achieve political goals and accepts the terms of Security Council Resolution 242. (35A:17)

Moreover, the CIC opposed the government's policy of official-level contacts with the PLO and argued against any upgrading of the level of these contacts. It held that until the PLO took the necessary steps referred to, "contacts between it and Canadian political figures or officials . . . serve no useful purpose". Such contacts had not resulted in moderating the PLO's policies, it maintained. The CIC also strongly disagreed with "Canada's policy of allowing admission to Canada of PLO members who are not known to have been involved in actual terrorist activity The admission of PLO members to Canada is a disservice to those who truly seek peace in the Middle East and the Canadian people".

Mr. Stanfield told the Committee he "would not recommend that Canada at this time recognize the PLO as the sole and exclusive representative of the Palestinian people". He thought such a move might not help "to encourage negotiations since Israelis were so firmly opposed to dealing with the PLO." Former Canadian Ambassador to the United Nations, Mr. William Barton, also advised against Canada recognizing the PLO "under present circumstances". He said Canada should only recognize the PLO if the PLO "would recognize the existence of

Israel and of Resolution 242". But both he and Mr. Stanfield affirmed that the PLO had emerged as the only body capable of speaking for the Palestinian people. Mr. Barton said that "while its claim to do so had not been tested by any sort of elective procedure, . . . it is generally acknowledged that very few Palestinians would chose outside the PLO". Both Mr. Barton and Mr. Stanfield were concerned about the PLO's involvement in terrorism with Mr. Barton observing that to be spokesman for the Palestinian group, the PLO "has to push the terrorists out so that they are isolated".

However, Mr. Stanfield stated that it was "highly constructive" that Canada should keep in close contact with the PLO. He suggested in his report that

Canada should broaden contacts with the PLO on issues affecting negotiations and the peace process, with a view to encouraging that organization towards greater moderation and realism and towards open acceptance of the legitimacy of the State of Israel. This will require frank communication and discussion. To play such a role there is no requirement that Canada formally recognize the PLO's claim to be 'the sole, legitimate representative of the Palestinians'. (32A:9)

On this point, Mr. Barton advocated that Canada follow "the example of our European friends in raising the level and frequency of our informal contacts" in order to "strengthen the hand of those in the PLO who argue in favour of a political approach rather than military confrontation and terrorism".

The question of PLO recognition of Israel is currently being debated within the organization itself. Some western friends of the Palestinians have argued that the PLO should go ahead with recognition of Israel, claiming that such a move could lead to their own recognition and improved prospects for negotiation. They point to the 1975 United States agreement with Israel which committed the United States not to recognize and negotiate with the PLO unless it accepted Resolution 242 and Israel's right to exist. They suggest that the corollary of this position would obligate the United States to take a lead in promoting negotiations if the PLO were to bring itself to take the first major step of recognition of Israel.

Some observers of the PLO believe that there has been considerable movement in this direction. But if so, the ambiguity of the 1982 Fez declaration and the 1985 Jordanian-Palestinian accord obscures the message. This is the usual consequence of the consensus approach within the PLO and of the conflicting positions of Arab governments on how to handle the Palestine question and how to deal with Israel. Waiting for a consensus among Palestinians specifically and among Arab states generally has resulted in PLO responses that have been slow, incomplete, and ambiguous.

Questioned about the PLO's reluctance to recognize Israel explicitly, the PLO spokesman, Mr. Terzi, told the Committee that such recognition must be "mutual, reciprocal and simultaneous", that "their right to exist is linked to our right to exist as an independent state on Palestinian territory". Mr. Terzi commented that in any case there were serious doubts as to whether Israel would agree to recognize the PLO even if it recognized Israel. He also suggested there was a problem as to what borders of Israel should be recognized.

Most PLO spokesmen have argued that acknowledging publicly and unequivocally the existence of Israel would involve giving up its major bargaining lever, the only lever that could force Israel to recognize the existence of the PLO. President Mubarak described the PLO approach in his presentation to the joint committee: "The Palestinians say, 'This is the only card which we have in our pocket. Our only card is the recognition of Israel; if we lose this card now, we will have no other card to play'."

Apart from pursuing its military objectives which have been increasingly limited, the PLO has put considerable effort into gaining international recognition of its status as a government-in-exile. While it has had some success in this approach, the emphasis on this goal has not helped the Palestinians to gain control of a portion of their lands let alone set up a state. The West Bank Palestinians increasingly understand this. On the other hand, the PLO has helped boost Palestinian morale, which is important because the Palestinians have suffered much. It has contributed to the maintenance of Palestinian self-respect and identity. But one knowledgeable American witness, Ambassador Dean Brown, president of the Middle East Institute, told the Committee that he thinks the PLO has been mistaken in its approach to Western nations, including the United States:

They act almost as if what is going on in the West Bank is something other than what the PLO is all about. It is an international political organization seeking recognition, and it is not an organization saying it represents people who are suffering. . . . I have asked representatives of the PLO about that and they told me that they wanted to go down the other path, that they wanted to be received at the highest level in the State Department and in the White House. (II 2:26)

The Committee considers that rather than encouraging, by means of recognition, those elements in the PLO that are overly concerned with enlarging the list of countries that recognize it or with enhancing its status as a government-in-exile, Canada should be offering encouragement to those Palestinian groups within or outside the PLO that are concerned with the need for accommodation with Israel and are looking for a genuine, peaceful resolution. As Mr. Stanfield has pointed out, more important than the recognition question at the present time is for the parties to find a negotiating mechanism which will get the peace process restarted. "It is not obvious to me", he said "how Canada would help bring about meaningful negotiations by recognizing the PLO".

Having considered these arguments the Committee is not persuaded on balance that Canada should proceed to recognize the PLO as the sole representative of the Palestinian people. It does not think that recognition would help to start the peace talks which is where the emphasis needs to be put. The Committee is also aware that the Canadian public's current negative perception of the PLO would not justify a move toward Canada's recognition of it at this time. The controversy that surrounded the Committee's invitation to hear Mr. Terzi, the PLO representative, is ample evidence of this.

If there were to be a dramatic change in outlook within the PLO with that organization recognizing Israel's right to exist and accepting explicitly UN Resolution 242, the Canadian public's attitude would probably change. In 1979, the

then Prime Minister Joe Clark said that Canada would be prepared to extend recognition to the PLO under two conditions. These conditions were that the PLO would "renounce violence and terrorism as an instrument and secondly, that they would, without any equivocation or conditions, recognize the right to exist of the State of Israel". The Committee agrees with this position.

The Committee has concluded, however, that the likelihood of a public and explicit reversal of position by the PLO resulting in its unequivocal and unilateral recognition of Israel is no greater than a comparable shift in position by Israel leading to its recognition of the PLO as the official spokesman of the Palestinian people. In his testimony, Mr. Stanfield expressed his concern that so much emphasis was being put on the question of recognition.

Sometimes one would think that nothing can go forward in the region until that step is taken. I find it difficult to believe that that is really a fundamental problem — namely, the question of recognition We should not get hung up too much on this question of recognizing the legitimacy of Israel. I would not think it is likely to happen except in terms of being part of a settlement (32:10-11).

As this report earlier concluded, such moves would have to occur simultaneously and as the culmination of an extensive process of mutual accommodation. It was for this reason that the Committee suggested that both sides put aside for the present the goals of recognition on which Israelis and Arabs have each concentrated—goals which in fact ask the other side to give up its major position of principle. Instead the Committee has proposed an emphasis on surmounting smaller obstacles and trying to work out practical arrangements for resolving differences and finding accommodation.

Canada has close diplomatic relations with Israel and the capacity to make its views known to Israeli officials. But communicating Canadian views to the Palestinians and encouraging the disparate Palestinian community to moderate its positions and to be ready to work out practical accommodations with Israel requires being in contact with PLO officials, since that organization clearly speaks for most Palestinians. Accordingly the Committee recommends that Canadian government contacts with the PLO continue at their present level and frequency. It does not propose upgrading these contacts to a more senior, possibly ambassadorial, level but rather would prefer to have a flexible situation where the responsible Minister would continue to have latitude to adjust the policy in specific circumstances to promote Canadian interests. The Committee also considers that the established policy of admission of PLO members to Canada for UN-sponsored conferences is the correct one. (See above, page 64).

6. Golan Heights

Along with East Jerusalem, the Golan Heights ranks as perhaps the most difficult question in the Arab-Israeli dispute. Sub-committee members visited the Canadian forces on peace-keeping duty on the Golan and had a chance to see the enormous strategic significance of the area. On the mountain tops, Israel has erected what is obviously an extremely sophisticated electronic early warning system, which

should prevent future surprise attacks. Israeli control of the Golan Heights gives them uninterrupted access to Damascus, only 30 kilometers away. If the Golan were in Syrian hands, Israeli settlements in the Hula Valley would again be vulnerable to shelling and, of more strategic importance, that valley opens a clear route to the Galilee region of Israel.

The UN peacekeeping arrangements on the Golan Heights were worked out by Secretary of State Kissinger in 1974 in a major agreement between Israel and Syria and have stood up impeccably. Committee members were frequently informed that "not a shot had been fired in anger", on the Golan even while Syrian and Israeli forces were fighting in neighbouring Lebanon. Despite the effectiveness of the arrangement to date, Israel has never ceased to be concerned about its positions there, a legacy of the shock it suffered when its lines were overrun in the 1973 war.

As stated earlier, in 1981 the Israeli government applied Israeli law to the Golan Heights. The Canadian government strongly criticized this measure, an action, Mr. MacEachen told the Committee, that Canada regarded as "contrary to international law and extremely unhelpful to the peace process."

Israel considers the Golan Heights vitally important from a security point of view, a perception which Sub-committee members who visited the Heights could understand. The Syrians, for their part, regard the Golan as part of Syria from which Israel should withdraw as indicated by UN Resolution 242.

In the Committee's opinion, it would seem that the problem of the future of the Golan Heights should be left to a later round of negotiations. Until some progress has been made and more confidence prevails between those who are party to the Arab-Israeli conflict, the differences over the Golan could block all attempts to resolve disputes in the area.

As long as the Golan area remains relatively unpopulated, the status quo can be more readily maintained. At present, almost the only people in the area are the Israeli settlers established there under the Likud government. The Committee considers that any plans to step up the settlement activity in the Golan area should continue to be opposed by the Canadian government. A vigorous, renewed Israeli settlements policy in the Golan would provide clear evidence to Syria that it could only hope to change the situation through the use of force.

F. Lebanon

Sub-committee members had wanted to visit Lebanon but were unable to do so. Owing to the fighting in Beirut, the airport was frequently closed when they were in the area. Given its already tight schedule, the Sub-committee felt the situation was too uncertain to plan a stop there. However, members held discussions with the Canadian Ambassador to Lebanon while they were in Syria. In addition, the subject came up frequently during the Sub-committee's meetings with leaders in neighbouring countries and the Committee in Ottawa heard considerable testimony

on Lebanon, including testimony from Dr. Salim al Hoss, a former prime minister of Lebanon who is currently a minister in the Lebanese government.

The situation in Lebanon is of concern both because of the implications of events there for the Arab-Israeli peace prospects and because of the internal conflict which could cause lasting and damaging consequences to Lebanon's future as a viable country.

From an Israeli point of view, events in Lebanon during the past two years have almost totally reversed the situation since the 1982 invasion. Initially Israel secured some important advantages. It smashed the PLO's military base in Lebanon, dispersing the PLO as a fighting unit. It ousted PLO terrorist and guerrilla training centres from southern Lebanon, from whence Israeli settlements across the border had been threatened. It was welcomed by the Shiite Moslems of southern Lebanon who wished to see the PLO leave. It inflicted a decisive defeat on the Syrian air force, a defeat which at the same time weakened the Soviet Union's influence in the Middle East. Assisted by the United States, it concluded an agreement with the Lebanese government setting out conditions for the withdrawal of foreign troops from Lebanon and promoting the normalization of relations between the two countries.

By 1985 much of this had changed. Not only did Arafat managed to emerge from Lebanon with the personal protection of Western nations but he maintained his position as PLO leader with the support of the majority of Palestinians. A new group of terrorists have emerged in southern Lebanon in the form of fundamentalist, determinedly anti-Israeli Shiites. Syria, with significant new Soviet materiel support, has become the dominant power in Lebanon and the Soviet Union's influence is correspondingly enhanced. The limits of Western and, in particular, U.S. power have been dramatically revealed by the events which led to the withdrawal of the multinational force from Beirut. The Israeli-Lebanese agreement which ignored the traditional role and interests of Syria in Lebanon was abrogated by the Lebanese government. Finally, the Israeli armed forces have completed a painful unilateral withdrawal with no corresponding withdrawal of Syrian forces.

The decision by the Israeli Cabinet to withdraw unilaterally without preconditions was undoubtedly a difficult one. In November 1984 the Israeli government entered into negotiations with the Lebanese government under the auspices of UNIFIL, the United Nations Interim Force in Lebanon, with the objective of gaining security from attacks for its northern border area by the deployment of UN forces and forces of the Israeli-supported South Lebanon Army. The Lebanese government, with apparent Syrian backing, refused to accept these Israeli proposals, in particular any limitations on the deployment of the Lebanese national army which, it maintained, was now sufficiently strong and reliable to maintain internal order in south Lebanon. With the talks stalemated, the Israeli Cabinet considered it had no choice but to get out unilaterally, although some prominent Likud Cabinet members including Deputy Prime Minister and Foreign Minister Shamir opposed the decision. Both Prime Minister Peres and Defence Minister Rabin were said to have been very anxious to rebuild a peaceful,

neighbourly relationship with the Shiites in southern Lebanon, a development which was clearly impossible as long as Israeli troops remained in the area.

The main Israeli concerns during its withdrawal from Lebanon were how to ensure that Syrian troops would not move into the area vacated by the Israeli army and how to prevent PLO guerrilla reinfiltration into southern Lebanon from where they could operate against northern Israel. In fact, the main opponent of a re-establishment of a PLO guerrilla force in Lebanon has turned out to be the Shiite militia. In May 1985 after Israel had withdrawn from the area, Shiite militiamen backed apparently by Shiite contingents from the Lebanese army attacked Palestinian refugee camps mainly around Beirut. Palestinian fighters resisted and fierce battles broke out. Heavy casualties were reported on both sides and there were accounts of brutal Shiite actions against civilian and wounded Palestinians.

The Lebanese national government will not willingly agree to the re-entry of PLO forces into southern Lebanon in view of the tragic developments their earlier presence led to. The Lebanese prime minister has stated that the Lebanese government wants the Lebanese national army to be deployed in the south to prevent Palestinian infiltration and to limit the movement and actions of any remaining PLO residents there. However, to what extent the Lebanese government or the Syrians will acquiesce in Israel's planned deployment of an Israeli-sponsored militia—the South Lebanon Army—in the area bordering on Israel remains to be seen.

Syria is unlikely to ease Israel's concerns or to give any explicit undertakings as to its actions. But it is clearly in Syria's own interest that Israeli troops have withdrawn from the southern Bekaa Valley from whence Damascus represents such an easy military target. Moreover, Syria can claim the credit for obtaining the Israeli withdrawal by being the backbone of the resistance by the Lebanese central government to the requirements laid down by Israel in the 1983 agreement with Lebanon. Syria is unlikely to take any provocative actions that would unleash an attack or bring Israeli troops back to the Bekaa.

From the beginning, Canada was strongly opposed to the 1982 Israeli invasion of Lebanon which Mr. MacEachen told the Committee "we considered neither justified nor likely to achieve its stated objective". At the time, Prime Minister Trudeau wrote two letters to Prime Minister Begin urging restraint, expressing Canada's dismay at the escalation of the conflict and rejecting the argument that such military action was justified. The Canadian government protested the Israeli bombardment of West Beirut, a protest which was underscored when the House of Commons and the Senate passed unanimous resolutions to the same effect. Mr. MacEachen said Canada "deplored Israel's unjustified occupation of West Beirut" and supported "Israel's immediate and unilateral withdrawal from Lebanon". He said that "until there is an early withdrawal of all foreign forces from Lebanon, the prospects for movement of the peace process are not encouraging". The present Secretary of State for External Affairs, Mr. Clark, maintained "that all foreign troops should withdraw unless present at the request of the Lebanese government". Later, he welcomed Israel's decision to withdraw its troops from Lebanon.

The Committee considers that the Israeli government's unilateral withdrawal was the wisest possible course. The optimum for Lebanon would seem to be for Syrian forces to withdraw also. However, Syria believes it has a special role in Lebanon and it does not regard its troops in Lebanon as 'foreign' troops. The Syrians say they are in Lebanon in order to preserve Lebanese sovereignty and territorial integrity. In fact it must be recognized that Syria's role in strengthening the position of the current Lebanese government has been of key importance to that government. Even prior to Israel's unilateral withdrawal decision, Prime Minister Peres softened the demands of the former Likud government and no longer insisted that Syria withdraw its troops simultaneously from Lebanon.

When Sub-committee members were in the area they were sceptical that Syria would withdraw its troops when Israel withdrew. Members considered that, after an Israeli withdrawal, a continued Syrian presence might, in fact, assist temporarily in maintaining internal security in Lebanon. There is considerable international doubt as to the effectiveness of the national Lebanese army in quelling the frequent, often vicious, sectarian battles which have become almost endemic in Lebanon. In some respects Syria may be the only power left in Lebanon capable of restoring some order and unity to the country.

Quite apart from the issue of Israel's troop withdrawal, Lebanon as a country faces enormous problems. Its once buoyant economy is in ruins. Wars and invasions over the past decade have resulted in huge civilian and military casualties, the destruction of towns, villages and parts of cities and a serious unravelling of the political fabric of the country. The fragile political balance of the 1943 National Covenant, an unwritten national pact which apportioned power and positions to the various Lebanese sects—Christian, Druse, Sunni and Shia—has long since been shattered. (See Map C)

Lebanon's stability has been undermined both from within and from without. From within, destabilization has resulted from a variety of factors: pressure for greater recognition by the Shiite Moslems whose population has grown rapidly; the intensity of the quarrels of the feudal-like chieftains of the various factions each with its private militia; and the disastrous civil war of the mid-1970s. These internal conflicts were exacerbated from without by the establishment within Lebanon of a PLO mini-state, by the introduction of Syrian forces in large numbers, and finally by the presence of large numbers of Israeli forces. The latter invasion and occupation, while resulting in the ousting of the PLO from southern Lebanon and Beirut, led to substantial casualties among Lebanese civilians, destruction of communities, the further weakening of the Lebanese central government authority, the disintegration of the Lebanese army, the strengthening of sectarian militias and a renewed pre-eminence of Syria as a power-broker in Lebanese affairs.

Finally, since the withdrawal of the Israeli forces to the border area, the internal factional fighting within Lebanon has intensified again with Christians fighting both Sunni and Shiite factions, and Shiites attacking Palestinians. The Shiites have progressively gained in strength.

Testifying in 1983, Professor Stein predicted to the Committee that in Lebanon

we will see in the period after the withdrawal of foreign forces a great deal of instability, possibly an intensification of a conflict among the communities in Lebanon. This is . . . the result of the past 10 years which has legitimized this kind of violence among communities and broken an extremely fragile consensus which had characterized Lebanese politics. (40:32)

The current problems of reconciliation and reconstruction facing Lebanon are immense. Given the intense internal rivalries, the central Lebanese government must move extremely carefully. Tragically, an end to the turmoil in Lebanon is not yet in sight. For the many Canadians of Lebanese origin, the process of restoring peace and unity to Lebanon is of major importance. The Committee is appalled by recent events in Lebanon and is watching developments with compassion and concern. It supports any efforts the Canadian government is able to make to promote Lebanon's territorial integrity.

IV IRAN AND IRAQ

Relations with two important countries of the area, Iran and Iraq, were not closely examined during the Committee's study. Both countries are potentially valuable trading partners of Canada's, but as long as the bloody conflict between them continues, the current trading relationships are unlikely to expand significantly.

For almost five years, the Iran-Iraq war has dragged on, leaving behind a horrifying toll of casualties. Recent estimates of the total dead and wounded since Iraq's initial attack in 1980 number over a million. The Iranian offensive of March 1985 alone is said to have claimed more than 40,000 lives. The military clashes have been brutal, civilian targets have been attacked, oil tankers in the Gulf have been fired on and chemical weapons have been used. Nothing has been settled by the conflict. After some initial successes, Iraqi forces in the important southern front were driven back to the border region. With neither side strong enough to overwhelm the other, a stalemate has developed. But neither country will significantly alter its demands on the other, so the conflict continues.

Contrary to earlier concerns, the Iran-Iraq war has not spread to engulf the region. The Ayatollah Khomeini has at times asserted that the Iranian revolution was the first step in a holy war. Not surprisingly, the neighbouring Arab states of the Gulf feel vulnerable to, and threatened by, such an expansionist fundamentalist doctrine. This is so particularly when it is expressed with such ideological fervour — the Ayatollah has pronounced that he will march through the rubble of Baghdad on his way to Jerusalem — and by a country with a very large military force and a huge stock of weapons left by the Shah. Moreover, many of these countries have large Shiite populations, which could be susceptible to Khomeini's message. These concerns led most of Iraq's Arab neighbours, with the notable exception of Syria, to side with and offer increasing support to Iraq. Their attitude could become ambivalent if a decisive Iraqi victory were to leave Iraq with a strong and experienced army.

Israel's attitude to the Iran-Iraq war is equally ambivalent. Iran under the Shah was quite supportive of Israel, although the Khomeini regime has been hostile, whereas Iraq has always been an implacable foe. Initially Israel was worried that Iraq would gain a military victory and, early in the war, Israel is said to have provided Iran with military equipment although this appears to have ceased. Israel's 1981 bombing of a nuclear reactor near Baghdad was designed to prevent Iraq from becoming a nuclear power. Due to the stalemate in the Iran-Iraq war, Iraq's armed forces are tied up and this has reduced the danger of war on Israel's eastern front. In the longer term, neither Khomeini's long-term goal to alter the pro-western Arab

proclivities of the Gulf states, nor the support and export by Iran of revolutionary Islamic fundamentalism can give Israel reason to hope for an Iranian victory.

Neither of the superpowers has become directly involved in this conflict although both the United States and the Soviet Union have significant interests in the area. The United States' official policy is one of strict neutrality, although in November 1984 it re-established diplomatic relations with Iraq. Perhaps due in part to the resumption of its relations with the United States, Iraq has moved perceptibly toward the more moderate Arab camp and a renewal of relations with Egypt. For its part, the Soviet Union has restricted itself mainly to providing Iraq with surface-to-surface missiles and other weaponry. Its earlier cautious overtures to Iran were rebuffed and its current attitude appears to be carefully balanced. Despite their interests in the area, the two superpowers may be held back by the realization that a closer involvement by one country could trigger a major reaction from the other. All industrialized nations are concerned by the threat that the war represents to oil supplies from the Persian Gulf and most countries, including Canada, have maintained a policy of neutrality. France, however, has provided a very significant amount of the most modern weaponry to Iraq.

Efforts have been made to mediate the Iran-Iraq war. Algeria and Sweden have sent peace emissaries, as have India, speaking for the non-aligned movement, and Gambia which chairs the Islamic Conference Organization. All to no avail. The most sustained mediation efforts have been made by the UN Secretary-General Mr. Perez de Cuellar. (Although Iran objected strongly from the outset of the war to the Security Council's failure to link calls for a ceasefire with a demand for the withdrawal of troops, the UN Secretary-General, personally, appears to have retained the confidence of the Iranian government.)

As part of a step-by-step approach to gain a ceasefire, Mr. Perez de Cuellar was able to achieve in 1984 a moratorium of attacks on civilian targets, a moratorium which held for nine months. Two teams of observers, one in Baghdad and another in Tehran, were set up to report on any violations. A moratorium on chemical weapons use was the next objective of the Secretary-General, but Iraq failed to respond on this point. The major Iranian offensive of March 1985 stimulated the Secretary-General to try once again. This time he formulated an eight point step-by-step approach which Iran accepted with some reservations. Iraq, however, rejected it, pressing instead for an integrated framework involving a ceasefire to take effect on a specified date and a timetable for the other steps proposed by the Secretary-General.

Mr. Perez de Cuellar personally visited the two capitals in April 1985. Despite his lack of success to date in achieving a ceasefire it would appear that the UN Secretary-General represents the most acceptable mediator in this conflict. There is some evidence of constructive Soviet support for the Secretary-General's efforts. Unfortunately the demands of both sides remain far apart. While Iraq is interested in a ceasefire, it has emphasized the need for a comprehensive settlement package, and insists on the withdrawal of all forces to the international border and the non-interference by both countries in the internal affairs of the other. For its

part, Iran demands that the Security Council make a finding that Iraq is the aggressor in the conflict. Further, it wants \$350 billion in reparations, the return to Iraq of 200,000 Iraqi refugees now in Iran who may have been indoctrinated with Iranian fundamentalist ideas and a formal UN condemnation of the use of chemical weapons by Iraq. Iran appears to have downplayed its original demand for the removal of Iraqi President Saddam Hussein.

During this study Committee members were concerned as to what constructive role Canada could play, if any, in the Iran-Iraq situation. The Canadian government has appealed to both parties to end the conflict and urged them to make use of the good offices of the Secretary-General. Canada has strongly supported his mediation efforts in this war. After hearing testimony on this subject, the Committee concluded that, beyond this, there was little that Canada could do.

Canada, of course, has some economic interests in the region which could expand once the war has ended. In 1984 Iraq was Canada's fourth largest market in the area after Algeria, Saudi Arabia and Egypt. Even during the present conflict, Canada's exports in 1984 amounted to \$163 million, composed mainly of grains and replacement parts. With a modest expansion of its economy, Iraq could provide a very promising market for processed goods. It has the second largest pool of oil reserves in the world. With the imminent opening of a pipeline link through Saudi Arabia to the Red Sea port of Yanbu, Iraqi oil exports will almost double to a million barrels a day. As well, Iraq is expanding the capacity of its pipeline through Turkey.

While Canada's trade with Iran has been gradually increasing in recent years, this development has taken place in spite of the fact that normal diplomatic relations between the two countries have not been re-established. Canadian diplomatic staff were withdrawn from the Canadian Embassy in Tehran in 1980 after Canada's participation in the freeing of some of the American hostages held by Iran (see page 89). In 1983 Iran was Canada's third largest market in the area but Canadian exports there slipped somewhat in 1984. Nonetheless, despite the lapse in the relationship, two-way trade remains fairly vigorous and Iran is judged to present a vast market for the future.

V CANADA AND MIDDLE EAST PEACEKEEPING

Although Canada's capacity to contribute to the resolution of the problems of the Middle East is limited, it has developed a special capacity and competence in the field of peacekeeping. Here Canada's contribution has been and presumably will remain significant.

The concept of international peacekeeping has evolved largely within the United Nations and Canada has been centrally involved in that process. Indeed Canada is the only country to have contributed forces at one time or other to all thirteen peacekeeping operations that have been organized through or by the United Nations.

There is no agreed definition of peacekeeping. However, the International Peace Academy, a private organization which helps to train UN peacekeeping personnel, uses the following general description:

The prevention, containment, moderation and termination of hostilities between or within states, through the medium of a peaceful third party intervention organized and directed internationally, using multinational forces of soldiers, police and civilians.

Of the thirteen UN peacekeeping operations, seven have been or are concerned with Middle East problems. In addition, in recent years two peacekeeping operations without United Nations involvement have also been organized in the Middle East, an indication of the tension, unrest and violence prevailing in this region.

Although each peacekeeping operation is tailored to achieve a specific mandate, according to a Canadian academic, Albert Legault, the usual role is

to prevent a situation of war or conflict from deteriorating further, usually through the establishment of a buffer zone or a police force to patrol or observe a combat zone or a zone in which a potentially explosive situation exists between . . . belligerent parties.

Peacekeeping forces are composed of military units or personnel contributed by a number of UN member states under the command of an officer appointed by the United Nations. The mandate of the force is normally approved and renewed at regular intervals by the Security Council and contributing states rotate their personnel on a relatively frequent basis.

Participation in peacekeeping operations has given Canada its earliest, most extensive, and continuing contact with the Middle East. The seven United Nations

operations in the area and the extent of Canada's involvement are briefly described below:

- UNTSO United Nations Truce Supervisory Organization was established in 1948 "to observe and maintain the cease-fire and to assist in the supervision and observance of the General Armistice Agreement concluded between Israel and Egypt, Lebanon, Jordan and Syria". According to the 1983 Department of National Defence annual review, Canada made its first contribution in 1954. In 1983 Canada was one of 7 nations providing a total of 300 military personnel for staff and observer duties. The Canadian commitment is for 20 officers who are assigned to duties in Egypt, Israel, Lebanon and Syria. UNTSO is unusual in several respects: it has a permanent mandate, it operates through individual officers acting as observers and it serves as an invaluable channel of communications between states which do not have normal relations.
- UNEF United Nations Emergency Force established in 1956 to supervise the withdrawal of French, Israeli and British troops from Egyptian territory and subsequently to observe the armistice demarcation lines and the frontier in Sinai between Israeli and Egyptian forces. UNEF was withdrawn in 1967 at the request of the Egyptian government. Canada contributed about 1,000 men to the force which numbered about 6,000.
- UNOGIL United Nations Observer Group in Lebanon was set up during the Lebanese crisis of 1958 to stabilize the local situation and to replace United States and British troops. It lasted for one year and Canada contributed 77 men to the 600-man Group.
- UNYOM United Nations Yemen Observer Mission, a small operation set up in 1963 by the Secretary-General to observe the military disengagement between factions struggling for control over Yemen. The mission was withdrawn in 1964 after inconclusive results. Canada contributed 36 air observers out of a total unit of 183.
- UNEF II United Nations Emergency Force II was set up in 1973 following the Yom Kippur War to supervise the implementation and maintenance of the cease-fire and the withdrawal of Egyptian and Israeli troops, initially to the October 22 cease-fire lines and subsequently Israel's withdrawal to the Mitla and Giddi passes in the Sinai. It was withdrawn in 1979 following the Camp David Accords. Canada contributed 1,150 men to the 6,000 man force.
- UNDOF United Nations Disengagement Observer Force was put in place in 1974 to control a neutral zone set up under the Disengagement Agreement between Israel and Syria with regard to the Golan Heights and to supervise compliance with limited armaments zones on both sides. This force remains in being. The Canadian contingent of 221 men provides communication, logistic and technical services to the 1,280 member force.
- UNIFIL United Nations Interim Force in Lebanon was established in 1978 to confirm the withdrawal of Israeli forces following their invasion of southern Lebanon, and to help the Lebanese government restore its effective authority in the region. While this force remains in existence, its task has been rendered very difficult by continuous conflict between Lebanese factions and later the Israeli invasion of Lebanon in 1982. Canada agreed to contribute 120 men to the 6,000 man force when it was first formed, but withdrew its contingent at the end of the first six month term.

In addition to the seven UN peacekeeping operations, two peacekeeping forces have been formed in the last five years in the Middle East without UN involvement. These comprise:

- MFO Sinai The Multinational Force and Observers in the Sinai came into existence in 1982 to prevent violations of the peace treaty between Egypt and Israel. President Carter had committed the United States when the treaty was signed in 1979 to establish an acceptable multinational force if the Security Council was unable to reach agreement on setting up a UN force. Once it was evident that the Soviet Union would vote against a UN force to monitor the Camp David Accords, the United States took steps to put together a force which ultimately comprised units from eleven countries. Canada was not formally invited to participate.

MNF Beirut The Multinational Force in Beirut was initially formed for 30 days in 1982 to supervise the evacuation of PLO and Syrian units from Beirut. From the first, Israel was opposed to any UN involvement. Following the massacres of Palestinians in refugee camps by Lebanese extremists, a strengthened force of American, Italian, French and British units was hastily recalled to facilitate the restoration of the authority of the Lebanese government. However, the MNF soon became embroiled in factional conflict and was itself subject to attack and harassment resulting in substantial loss of life. The force was withdrawn in the summer of 1984.

Assessing Middle East peacekeeping in general, Professor Henry Wiseman of the University of Guelph told the Committee that

peacekeeping operations have contributed significantly to the makings of international peace and security in the area. There can be no doubt about it. There is no doubt about the frequency of conflict and wars, but, given that the area is so volatile, such things could easily have occurred more often than they did. Moreover, the volatility could have escalated to the proportions of direct east-west confrontation as it almost did in 1973 when the U.S. went on alert and the Russians were presumed to be ready to move troops and aircraft out of the Black Sea into the area. It was then that the peacekeeping process of the Security Council enabled these parties to come together and realize that even in moments of bitter antagonism they must negotiate. (34:7)

Canada's peacekeeping record was exemplary, he continued, and Canada is well-regarded in the area. Unlike many countries that might be asked to send peacekeeping forces, Canada could in his opinion easily provide the logistical support.

The Canadian armed forces have taken the peacekeeping role to heart. The 1971 White Paper on Defence identified international peacekeeping as one of the four central roles assigned to Canada's defence forces, although in practice this has been accomplished to some extent by dual tasking of units in the armed forces. To ensure that these units are ready for quick action, the Department of National Defence has developed advanced training programs in peacekeeping.

By the 1970s, nevertheless, Canada's approach to peacekeeping had grown more wary, reflecting a number of difficulties which had arisen. One factor was the summary expulsion in 1967 of the Canadian contingent and soon after of UNEF itself from Egypt on the insistence of the government of the United Arab Republic. Another was concern at the prospect of being locked into an operation such as has occurred in Cyprus, where Canada first agreed to contribute a contingent in 1964. The financial crisis forced on the United Nations by non-payment of the costs of the UN Congo peacekeeping operation raised worries about how future UN peacekeeping forces would be financed. Finally, Canada's long, frustrating experience in Vietnam caused doubts about the ultimate success of peacekeeping operations that lack the support of the major powers, a deficiency which can to some degree be overcome if the operation is approved by the Security Council. These experiences led the government to formulate a number of conditions to be fulfilled if Canada were to contribute to a peacekeeping force.

The Canadian government's most recent formulation of these prerequisites was presented in response to a question in the Senate as to whether Canada would agree to participate in a peacekeeping force in Lebanon if asked:

(a) such a force would have to be under the auspices of the United Nations, be neutral and impartial and would have to have a clear and adequate mandate to allow it to fulfil the functions assigned to it;

(b) the deployment of such a force and its participants would have to be accepted by all the concerned parties;

(c) the concerned parties would have to agree to maintain a cease-fire and there should be reasonable and serious hope of a reconciliation between different factions after the deployment of such a force;

(d) the financing of such a force should be assured by all of the countries belonging to the UN rather than through voluntary contributions.

(*Senate Debates*, March 6, 1984, p. 293)

Currently Canada is participating in two UN Middle East peacekeeping operations: UNTSO and UNDOF. Committee members visited and held discussions with UNDOF officers in Damascus and visited Camp Ziouani on the Golan Heights, the headquarters of the Canadian contingent that is helping to maintain the 1974 cease-fire agreement between Israel and Syria. The cost of Canada's UNDOF mission in 1982-83 was \$10.7 million, of which \$4.7 million was recoverable from the United Nations. For the UNTSO operation in the same year the cost to Canada was \$1.3 million with no UN recovery. The net cost to Canada of both operations in 1982-83 totalled \$7.2 million.

UNTSO

The Committee was impressed with what it heard of UNTSO's activities. In addition to its long experience, UNTSO has a unique advantage in the form of a standing mandate for peacekeeping which does not need the usual renewal by the UN Security Council at regular intervals, thus reducing uncertainty and permitting flexibility. The UNTSO commander, whom Committee members met in Damascus, said that as a result, UNTSO was constantly being asked to extend its operations: for example into Beirut or in respect to contingency planning related to the Iran-Iraq war. He added, however, that UNTSO was constrained by lack of funds, and that this resulted in poor communications facilities, understaffing, and substandard transport equipment.

The Committee recommends that the government support any international effort to strengthen UNTSO so that it could, on relatively quick notice, be available to monitor arrangements which might be made to resolve the Arab-Israeli dispute. UNTSO has been effective in observing points of confrontation in the Middle East and has helped to maintain channels of communication. It is not costly and its long experience and continuous mandate could be a major advantage in terms of speed and effectiveness of response.

UNDOF

When Committee members visited the Golan Heights they were impressed with UNDOF, an effective, properly planned and executed UN peacekeeping operation that the countries involved want to succeed. The Golan is a critical area of dispute between Israel and Syria, yet since 1974 when the UN peacekeepers were

put into the area, not a single shot has been fired intentionally, even during the 1982 Israeli invasion of Lebanon when Syrian forces in Lebanon engaged Israeli units. Professor Wiseman told the Committee that

during the most volatile and vicious moments of the Israeli-Syrian confrontation, both sides were going to the UN to make sure that the Syrian-Israeli border was quiet, and moving with UN observers onto the other side of the lines to make sure mobilization was not taking place. It is quite conceivable ... that if that United Nations peacekeeping operation had not been there ... we might have seen another war between those two states in recent years. (34:8)

The force is all the more important since Syria is the most heavily armed Arab state in the region. With 7,000 Soviet military advisers, some of whom are said to be directly involved in manning the sophisticated anti-aircraft devices provided since 1983, there is a risk that a local conflict could escalate dangerously.

UNDOF officers explained that "UNDOF had the advantage of a very clearcut mandate and a defined military area to supervise". Committee members formed the impression that the very sparse population in the area also helped. Both Syria and Israel appear to agree that UNDOF is the best solution to the problem until a settlement of the area is reached.

The Committee recommends that Canada continue to contribute to UNDOF.

UNIFIL

In 1978, Canada was most reluctant to participate in the United Nations Interim Force in Lebanon (UNIFIL) owing to doubts that the force could carry out its mandate effectively. By contrast with the Golan, the area was heavily populated and, in addition to the PLO, there were several well financed private Lebanese forces active in the area, including one supported and equipped by Israel, led by Major Haddad. Each force was pursuing conflicting interests and seemed prepared each for its own reasons, to frustrate the work of UNIFIL. Pressed hard by the UN Secretary-General to join the United Nations force, Canada agreed to participate on a trial basis, but withdrew after the first six month term ended.

As it turned out, from 1978 until the 1982 Israeli invasion, UNIFIL experienced constant difficulties in trying to prevent armed infiltrations and encroachments into its area of operation. Without the necessary co-operation of the main parties concerned and operating in a setting that was politically unstable, the best UNIFIL could do was help prevent a major confrontation by providing a buffer between the opposing forces. When Israel invaded the area in June 1982, the UN force was simply by-passed.

Attention is once again focussing on UN peacekeeping in Lebanon. The role of UNIFIL in southern Lebanon after Israel's withdrawal is still not clear. The UN Secretary General has told the Security Council the best arrangement on the Israel-Lebanon border initially would be to have UNIFIL deployed right down to the border, co-operating with units of the Lebanese army. Israel now appears to accept that the UN force assume some responsibility in southern Lebanon in the wake of its withdrawal. For the zone bordering Israel, however, the Israeli government has cast

doubt on the ability of the Lebanese army to maintain security and has insisted on the deployment of the Israeli-supported local force—the South Lebanon Army—in addition to a UNIFIL force. For its part, the Lebanese government maintains that the whole region of southern Lebanon should be under the exclusive authority of the Lebanese army assisted only by UNIFIL. It strongly opposes the deployment of the Israeli-supported militia. Further, the Lebanese government has taken the position that the deployment of UNIFIL is a matter to be discussed solely between Lebanon and the United Nations and it refuses to agree to some sort of consultative machinery that includes Israel to discuss arrangements. Without some reconciliation of these conflicting views, it is unlikely that UNIFIL will be able to carry out an effective peacekeeping role in Lebanon.

Additional factors make UNIFIL's mandate not only difficult but at times extremely hazardous. UNIFIL forces are frequently in danger as a result of the near-anarchy which seems to prevail due to the militias of the various factions within Lebanon being pitted against one another and the Lebanese national army apparently being powerless to control them. Sectarian militias have terrorized members of the UNIFIL force and five French observers have been killed in the past year alone. American members of the peacekeeping force have been deployed behind the danger lines for fear of possible attacks by fundamentalist Shiite militia. In addition, UNIFIL found frustrating and counterproductive Israeli Defence Minister Rabin's tough anti-terrorist policy in Lebanon in the spring of 1985. In its withdrawal process, the Israeli army allowed no interference from UN peacekeepers. While there is less chance of a re-establishment of a strong PLO base in the wake of the brutal attacks by the Shiite militia on Palestinians in Lebanon in May 1985, there is an atmosphere of turmoil and instability in the country that adds enormously to the problems facing UNIFIL.

Some of the deficiencies of the MNF Beirut and the debacle suffered by it should serve as a lesson to peacekeeping in Lebanon and indeed elsewhere. The MNF force had several drawbacks that reduced its capacity to carry out an almost insuperable task: it was never meant to have combat responsibility, yet at times was confronted with well-armed hostile forces; it had no unified command structure, making consultation between national units time-consuming and complex; its mandate was too broad and went beyond traditional peacekeeping; it included contingents from a major power that was perceived not to be neutral as to the outcome of the civil war in Lebanon, which made its activities suspect; its mobility was limited; and it had no clear method of reporting to a central command. On top of these handicaps the absence of UN sponsorship in this instance increased the obstacles that the MNF Beirut faced.

In the Committee's opinion, peacekeeping in Lebanon under the authority of the United Nations would bear a better chance of success than an international force operating outside the United Nations. UNIFIL's earlier peacekeeping operations have foundered because of the lack of co-operation among the parties concerned. At this stage Israel and Lebanon have both indicated that they are looking to the United Nations for peacekeeping although Lebanon is not prepared to co-operate with Israel in working out the modalities of deploying such a force. Syria has not objected to

UNIFIL participation in principle. Since the Israeli invasion, the UN Security Council has continued to renew UNIFIL's mandate. During the past seven years in southern Lebanon, UNIFIL has accumulated a knowledge and understanding of the area, its people, the issues and the parties concerned.

On the other hand, as noted earlier, the internal situation in southern Lebanon still remains quite unpropitious for peacekeeping, with the rival militias fighting for local supremacy and the Palestinians subjected to attacks seemingly beyond the control of the national government. Unless the Lebanese government were to acquire greater stability and authority following the Israeli withdrawal, the Committee doubts that UNIFIL will be able to carry out its mandate effectively. In these circumstances, the Committee considers that the Canadian government should be extremely cautious about agreeing to contribute to any expanded role for UNIFIL in southern Lebanon.

MFO Sinai

Largely as a result of its experience in the international control commissions in Indochina, Canada has been opposed to participating in any peacekeeping operation not sponsored by the United Nations. Since this position of principle was clearly reiterated by the government when MFO Sinai was being organized, Canada did not receive a formal request to be part of that force. An additional factor leading the government to maintain its position was suggested in the testimony of Ambassador Barton when he said that participation in the Sinai force in 1982 "could adversely affect our usefulness elsewhere in the Middle East". This element referred to the fact that a number of Arab states were strongly opposed to the Egyptian-Israeli peace agreement and therefore to formation of the MFO itself.

Despite this opposition, however, the MFO Sinai was established outside the sponsorship of the United Nations. Ever since Israel returned the Sinai to Egypt, the MFO has patrolled this demilitarized area of approximately 300 square miles, ensuring that it remains clear of weapons or soldiers. The force has functioned smoothly and successfully. In early 1985, Israel and Egypt formally invited Canada to replace Australia, whose term expires in April 1986. The other main country concerned, the United States, also wished Canadian participation. It was estimated that up to 135 personnel and 10 helicopters could be required for this surveillance and observation task.

Aside from the fact that the Sinai peacekeeping force was not sponsored by the United Nations, the other preconditions which have been specified in the past by Canada for peacekeeping participation seemed to be in place for this force. The concerned parties, Egypt, Israel and the United States were all pressing Canada to join. The force's mandate was a clear, straightforward one. There was almost no probability that military conflict between Egypt and Israel would erupt again. Under the terms of establishment of the force, the annual operating costs of the Sinai force are the responsibility of the three powers which formed the force.

The Canadian government decided in April 1985 to accept the request to provide troops and helicopters to the MFO Sinai to replace Australia in April 1986. The final terms of the agreement have not yet been made public.

The Committee agrees with the government's acceptance of the invitation of Egypt and Israel to participate in the Sinai peacekeeping force. The opposition of moderate Arab states to Egypt for making a treaty with Israel and to the peacekeeping force in Sinai has subsided and Egypt is gradually being accepted back into their fold. Thus this factor is no longer a cause for non-participation. The Committee considers, however, that the government should take care that it obtains a clearly stipulated and accepted fixed term for its commitment in this force. Canada would not wish to find itself again in the same situation as it is in Cyprus and where it would be faced with difficulties and controversies if it were to decide to terminate Canada's peacekeeping participation there.

The fact that the Sinai peacekeeping operation is not under the auspices of the United Nations deserves special comment. The Committee concluded that this exception to the principle was justified because of the specific character of the Sinai operation, and because all the other Canadian prerequisites were in place. However, as the Committee's comments with regard to future peacekeeping in Lebanon indicated, it views UN sponsorship as an important pre-condition to most peacekeeping operations.

In general terms, the Committee has concluded that Canada's contributions to peacekeeping operations in the Middle East have helped to contain conflict in the area. It is a role for which Canada is well qualified, and represents an effective use of its armed forces. The Committee therefore believes that Canada should consider seriously future requests to contribute units to peacekeeping forces which may be established in the region. At the same time, the government should maintain the pre-conditions regarding participation, which have been based on extensive experience.

VI GENERAL RELATIONS

A. Representation

Over the past decade and a half, there has been a noticeable shift in Canadian policy toward the Middle East and North Africa, involving a new emphasis on bilateral relations with individual countries. Lying behind the change was a policy framework, elaborated in a Cabinet document of February 1976, that stressed Canada's desire to have "close and mutually beneficial bilateral relations with all states of the area, outside the context of any regional disputes or problems and with particular emphasis on trade and economic cooperation". During this period Canada widened considerably the extent of its diplomatic relations with countries of the area. The principal manifestation of the policy change was in the economic field, with Canada's trading interests pushed to the fore. Attention was also focussed on Canada's cultural relations with certain countries, especially the francophone countries of North Africa—Algeria, Morocco and Tunisia—and with Israel. In addition, efforts were made to increase immigration from the francophone countries of the area.

DIPLOMATIC REPRESENTATION

Compared to most of its trade competitors in the Middle East and North Africa, Canada was late in developing extensive diplomatic representation in the region. Some European states had colonial associations with countries in the area and several had established offices staffed by Arab-speaking officials. After the 1973 oil price spiral, exporters from these countries were well positioned to expand their trade in these new lucrative markets.

Prior to 1973, Canada had diplomatic posts in the region only in Egypt, Israel and Iran. Anxious to catch up, Canada implemented the new policy direction by opening a series of embassies and by establishing direct relations with the individual countries in the area. By 1985, Canada had embassies with resident ambassadors in 10 countries in the area: Algeria, Egypt, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia and Tunisia. For reasons noted below the staff of the Canadian Embassy in Iran was withdrawn in 1979 and the Embassy has not yet been reopened. In Abu Dhabi, the capital of the United Arab Emirates, Canada has an embassy under the direction of a chargé d'affaires with the ambassador resident in Kuwait. With Bahrain, Libya, Oman, People's Democratic Republic of Yemen, Qatar, Sudan, Syria, and the Yemen Arab Republic, Canada has full diplomatic relations, but there is no Canadian office in those countries. Canadian ambassadors from nearby posts are dually accredited.

The importance of experienced and well-trained diplomatic representation in the area was underlined to the Committee by a number of witnesses and particularly by Canadian businessmen. In addition to the traditional role of diplomatic representatives, the businessmen stressed that Canadian officials on the spot could provide exporters with information about local customs, regulations, and requirements; they could also assist by helping to identify the need for a special service or product and by offering advice on what procedures should be followed to make the Canadian exporters' products saleable on the local market. In addition, Canadian officials in these posts could support and facilitate cultural contacts, both private and public, between Canadians and citizens of countries of the area as well as provide the essential processing required to permit immigrants and refugees to enter Canada from this region.

Since this study began, the Canadian government has opened an embassy in Jordan with a resident ambassador. Jordan has a key political importance in the Middle East as one of the states centrally involved in the Arab-Israeli conflict. In Amman, the Sub-committee gained the impression that Jordan has had an influence for moderation and stability on some other Arab states in the area. Since then, Jordan has demonstrated this by re-establishing diplomatic links with Egypt, thereby diminishing Egypt's isolation in the Arab world. By its agreement to hold the PNC meeting in Amman, Jordan sought to strengthen the moderate wing of the PLO against the more radical factions.

The Jordanian economy, despite considerable disruptions and a notable lack of resources, has made impressive gains in the past decade. Through skilful management and prudent planning, Jordan has been developing an agricultural and industrial base. The president of the Jordanian National Planning Council told Sub-committee members that from 1972 to 1982, Jordan had had a 9 percent average annual growth rate. Infrastructures such as roads, railways, port facilities and telecommunications have been put in place; agriculture has been expanded through irrigation projects, mining of phosphate and the production of potash has gone ahead, and the tourist industry has been developed. As the Beirut situation has deteriorated, Arab banking and financial services have moved to Amman. Notwithstanding this progress, Jordan faces problems and its economy has recently slowed. The direct assistance it has had from outside Arab states has diminished as oil revenues have drastically declined. Its promising market in Iraq for a number of exports has been cut-back by the Iran-Iraq war. It lacks energy, water and other natural resources.

Canada's opening of its embassy in Abu Dhabi also took place in 1984 while this study was underway. Abu Dhabi is the largest and wealthiest of the seven emirates in the United Arab Emirates. Their immense oil wealth has enabled the emirates to undertake extensive economic and social programs. Educational and technical training facilities are being set up and infrastructure projects are being planned. The focus of the new embassy's activities will be to support Canadian companies already working in the area and to assist in finding new trade and business opportunities.

Syria was the one country visited by the Sub-committee that had no resident Canadian diplomatic officers. At the time the Sub-committee was in the area, the Canadian ambassador to Lebanon was accredited to Syria, but with no office in Damascus. Despite the unsettled conditions in Lebanon, he and members of his staff made regular visits to Damascus, although the turbulent condition of the Beirut-Damascus road through the Bekaa Valley made this an uncertain and at times dangerous task. Committee members visiting Damascus met the ambassador and were impressed by the competent way in which he and his staff dealt with this difficult situation. In mid-1984, responsibility for relations with Syria was transferred from the Canadian ambassador in Beirut to the ambassador in Amman. Matters relating to immigration between Canada and Syria are now handled by a Canadian immigration official in Amman, who tries to make regular trips to Damascus. He has no office there and Syrians wishing to emigrate to Canada are obliged to address their applications to the British Embassy in Damascus.

As the Sub-committee's report of February 1984 and this report have already indicated, Syria is an important actor in Middle East events. Not least, its support of, and influence over, the Lebanese national government may be the essential component in gaining some sort of national reconciliation and stability in that country. Former U.S. Secretary of State Henry Kissinger is said to have observed that in the Middle East, "There can be no war without Egypt, no peace without Syria." Canada should have regular contact in Damascus with officials of the Syrian government. With good water and plentiful mineral and human resources, Syria has the potential to be a prosperous country. In spite of its current economic and financial strains, Syria could become a larger export market for Canada.

The Committee noted that the Australian ambassador to Syria, who was also accredited to Lebanon, had an office and staff in both capitals so as to increase his capacity to operate effectively in the two countries. A Canadian doing business in the Middle East, Mr. Joseph Husny, President of Miron Inc., urged that Canada improve relations and increase trade with Syria by appointing a resident ambassador in Damascus. The foreign minister of Syria told Sub-committee members that Syria would very much welcome the opening of a Canadian post. He said his government intended to open a post in Canada as soon as finances permitted. At present, the Syrian Ambassador to the United States has been given dual accreditation to Canada.

The Committee recommends that the government establish an embassy in Damascus with a resident Ambassador.

The Committee views as unfortunate the state of Canada-Iran relations. Since the 1980 hostage incident, there have been no Canadian diplomats in Tehran. Canada's diplomatic presence in Iran consists of a 'Canadian interests' section at the Embassy of Denmark, staffed by locally-engaged Iranian employees and one or two Danish diplomatic officers. As a condition to normalization of diplomatic relations, Iran continues to demand an apology from Canada for assisting U.S. embassy personnel to escape from Iran, a request that Canada quite correctly continues to refuse. For its part, Iran maintains a chargé d'affaires, not an ambassador, in Ottawa.

Despite the Iran-Iraq war, Canadian exports to Iran have grown substantially during the past several years and are back to levels which existed prior to the Iranian revolution. In 1983 and 1984, Canada made sizeable sales of wheat and barley to Iran. While Canada has recently exported a certain amount of fabricated goods and machinery to Iran, officials expressed the viewpoint that Canada might be missing out on a potential for increased exports of manufactured goods. Canadian businessmen who continue to go to Iran are at a disadvantage without the support of Canadian trade officials in Tehran. In the interests of removing the handicap to Canadian businessmen of having no official Canadian presence in Tehran and with a view to enhancing bilateral trade and commercial relations, **the Canadian government should continue to seek the normalization of its relations with Iran.**

Witnesses before the Committee were, in the main, highly complimentary about Canadian officials operating in the area. However, there were some critical comments on the length of postings. For example, Mr. Husny noted that

unfortunately the people who are there are transferred every couple of years. As soon as they are knowledgeable about the country and begin establishing valid contacts, they are transferred. Canada's purpose is not being served by having people transferred so soon. Other nations keep their representatives in foreign countries for at least three to four years. (38:10)

Arab countries have an outstanding cultural heritage, quite outside the normal experience of most Canadians. An understanding of this heritage and of Islamic values is important in dealings with Arabs. It takes time for Canadians to gain this understanding. Three and perhaps four years would seem to be needed, at least for a first posting to the region. **The Committee suggests that the Department of External Affairs review the length of postings for officials to Middle East and North African posts.**

CULTURAL AND EDUCATIONAL LINKS

During the 1970s, Canada developed stronger bilateral ties with the three francophone countries of North Africa—Algeria, Morocco and Tunisia. A series of bilateral accords, memoranda of understanding and co-operation agreements were put in place which resulted in new scientific and cultural contacts. These links have included considerably increased student exchanges, study missions for the transfer of scientific and technical information, co-operation in film-making, in university and museum administration and numerous cultural exchanges such as painting and photographic exhibitions, ballet performances and film showings.

At present approximately 3,000 students from Arab countries are studying in Canadian secondary and technical schools and universities across the country. Of these approximately 900 are students from Libya who have come to this country to acquire technical training in various fields.

With Israel, Canada has had long and fruitful cultural contacts, both at the private and the governmental level. In the field of music alone, exchanges of musicians and orchestras have been taking place for over 30 years. A chair of Canadian studies has been established at an Israeli university; art exhibits have been arranged in both countries; dance or ballet groups have exchanged visits; there are

close links between Canadian and Israeli literary figures; and symphony orchestras from one country have performed in the other, to list only a few manifestations of these close and longstanding cultural relations between Israel and Canada.

Canadian cultural exchanges and contacts with Egypt have also expanded in recent years with, for example, notable expositions of rare Egyptian antiquities in Canada and, from Canada, visits by ballet and artistic groups. Canadian academic contacts with Egypt are currently being stimulated and facilitated by the Canadian Institute in Egypt, a small Canadian office in Cairo operating under the Canadian Mediterranean Institute. Recognized by the Egyptian government as the channel through which academic research by Canadians in Egypt should go initially, the office has to date assisted Canadian Egyptologists in preparing to embark on archeological projects. It would seem logical that the Institute should be able to assist Canadian academics wishing to do further work in Egypt in such disciplines as Islamic studies, agricultural research or other fields. The possibilities should also be explored for expanding the activities of the Canadian Mediterranean Institute into Israel and Jordan.

Canada has two major centres for Islamic studies including Arabic language studies: the University of Toronto and McGill University. Both have excellent libraries in this field. The Committee was told by Dr. Charles Adams of the Institute of Islamic Studies at McGill University that these centres are encountering problems of declining enrolment, lack of adequate support from provincial educational authorities, difficulties in obtaining books and the fact that unlike in the United States, there is no support from any Canadian private foundation money. In fact, 50 percent of the McGill centre's budget comes from private American foundations.

During this study the Committee was struck by how little is known of Islam and the Arab world by the average Canadian. There is scanty appreciation of what the Islamic religion teaches or what relationship it has to the political systems of Moslem states. Nor is there much awareness of the significant historical contributions made by Moslems in the fields of science, mathematics, art and literature.

The Committee would like to urge both governments and the private sector to help promote Islamic studies in Canada. Businessmen dealing in the Middle East told the Committee how valuable an asset the ability to speak Arabic and a knowledge of Arab customs and practices were in their search for Middle East markets. The spread of Islam goes much further than the Middle East. In both an economic and an intellectual sense, a knowledge by more Canadians of the religion of 700 million Moslems could be rewarding.

B. Trade relations

Trade between Canada and the Middle East and North African countries has been growing but not as quickly as hoped. (See Appendix B for detailed trade figures.) Exports of Canadian goods more than doubled between 1979 and 1982 reaching \$2.3 billion, in the latter year, then declining to \$1.8 billion in 1983, and

rising slightly in 1984 to \$2 billion. These figures do not include exports of Canadian services which are estimated to be worth more than \$1 billion a year. However, even with services included, exports to the area constitute only 2.7 percent of total 1984 Canadian exports.

Canada's primary exports to the region are wheat and barley. Canada is trying hard to expand its sales of processed products as well and has had some success primarily with Algeria, Saudi Arabia, Egypt and Iran. These countries are significant buyers of Canadian industrial equipment, transportation equipment including locomotives, trucks, cars and some aircraft or aircraft engines and parts. To Saudi Arabia in particular, Canada exports a range of high technology items including semi-conductors, printed circuit boards and electronic components.

Import figures from countries in the region continue to decline, principally as a result of a reduction in Canada's purchases of Middle East oil. In 1984, for example, Canada's purchases of Iranian crude petroleum dropped to \$170 million from \$523 million the previous year. Oil imports from Saudi Arabia ceased completely in 1984, having declined from a level of over \$2 billion in 1980. Canada imported from Algeria \$283 million worth of crude petroleum in 1984. Israel is the only country in the area which has continued to improve its export position with Canada, selling a wide range of finished goods.

A number of the countries in the Middle East and North Africa are undergoing rapid development for which they require expertise and technology in fields such as communications, transportation, electrification and agriculture. Some of these countries have large populations and could provide significant markets for Canadian goods and services. In pursuit of these markets, in the past 10 years the government has made considerable efforts to try to develop this potential. It has established a series of joint economic agreements with most countries of the area to facilitate commercial transactions; it has mounted seminars to highlight the export possibilities in the area for Canadian businessmen; it has dispatched trade missions to various countries to promote products or services from Canadian agricultural and industrial sectors including urban transportation and telecommunications; and it has encouraged Canadian companies to participate actively in trade fairs in the area. In addition, Cabinet Ministers have made numerous trade-related visits. Notwithstanding these efforts, with a few notable exceptions, the trade results have not been remarkable.

Canada is at a disadvantage in a number of ways when trying to break into these markets of North Africa and the Middle East. As noted earlier, Canadians are late arrivals in terms of trade and diplomatic representation. Moreover, Canada is further away, which adds to the cost of doing business. It is also true that in the past two years, declining oil prices and production in most Gulf states have meant a shrinking budget and therefore fewer imports.

There are, however, certain advantages for Canada. Several witnesses stated that in certain countries, Canada's North American technological capacities, combined with its francophone heritage, and its lack of past colonial associations

were positive factors in negotiating for contracts. Mr. Jean-Paul Gourdeau, President of SNC, an engineering and consulting firm that has undertaken major capital projects in North Africa and the Middle East, gave his assessment of how Canada is perceived in the area:

We found that Canada's image as an impartial, friendly western nation with no empire-building or neo-colonial history was one of our strongest selling points. We offered North American technology, yet our client countries could feel reasonably sure we had no political axe to grind. (41:10)

The Committee was interested to learn that Canadian firms have also been invited to bid on contracts in order to enable the importing country to diversify its trade. For instance, business witnesses recounted that the Canadian bids were solicited on projects in Bahrain and Abu Dhabi because both countries considered the British connection to be too prominent. The same desire for trade diversification from earlier links to France seems to have influenced an initial important contract for Lavalin in Algeria. In much of North Africa, the ability of Canadian firms to deal in French gives Canadian bids a certain advantage on occasion. To some degree Canada may have benefitted from the fact that Libya is purchasing North American-type goods and services from Canada, rather than from the United States with which they no longer have relations.

Business witnesses recounted the difficulties facing would-be Canadian exporters in these markets. While each country has varying requirements, a number of common difficulties are identifiable: the cost of marketing a product is usually extremely high; most countries require the employment of a local agent and it is not easy to find an effective and experienced person to do the job; negotiations for contracts are usually extremely lengthy and involve many visits to the area, which adds to the cost of sales; inexperienced local consultants are often required to work jointly with Canadian companies in undertaking a project, a requirement that also adds to costs; and there are frequently delays in payment, which causes particular problems for small or medium-size firms. In Algeria, where the use of local agents is forbidden, the Canadian exporter is confronted with a multitude of regulations and procedural documentation requirements. Finally, the Committee heard over and over again that in these markets "competition is fierce".

Several experienced witnesses made the point that for small Canadian firms, the best and perhaps only way to penetrate these markets successfully is to have a special product or a unique service that meets a local need. There is just too much competition on price and delivery to permit a company with a generally available product to succeed in these markets. Moreover, it was said to be absolutely essential for small and medium-size firms to have adequate staying power and perseverance.

Increasingly there is a tendency towards government-to-government contracts in the area, particularly in Algeria with its centrally planned economy. For Algeria, the Export Development Corporation (EDC) has provided a substantial line of credit, which accords with the Algerian government's desire to have access to a single source of financing through its centralized banking system. For certain purchases, the Canadian Commercial Corporation (CCC) has been helpful in acting

as a prime contractor, forming a bridge between the Algerian government and the Canadian supplier.

The Committee was interested to learn how important the service sector has become in Canadian sales to the area. While these transactions do not show up in Statistics Canada trade data, it is estimated that they may equal the value of Canada's merchandise exports and, at the least, amount to one billion dollars a year. Service contracts involve a broad range of expertise, including consulting and engineering. Contracts can in many cases lead to subsequent purchases of Canadian goods. Three very large, well-established Canadian service firms—Bell Canada, Lavalin International, and the SNC Group—came before the Committee and were very helpful in identifying the problems and possibilities of doing business in the area.

A new area involves the marketing of Canadian educational services. The Ontario Educational Services Corporation (now the Educational Services Division of the Ontario International Corporation) while small, is a successful initiator in this field, with a number of interesting contracts to develop technical schools in the area, to export Canadian educational expertise to countries of the region and to train students either in the region or in Canadian schools. Mr. David Pugsley, Vice-president of the Educational Services Division, emphasized that one of the key factors in his organization's success against competitors was its willingness to bring about an eventual transfer of education technology to the client-country itself. The Committee also noted the efforts of the Canadian Bureau of International Education (CBIE), which develops and operates, on a cost recovery basis, training programs in Canada for students and professionals.

Referring to foreign students studying in Canada or the provision abroad of Canadian educational techniques, the Minister for International Trade, the Honourable James Kelleher, has noted in a recent speech that "these relationships will be important in consolidating and expanding our markets in the long term." Mr. Pugsley's remark reinforced this perception:

Our experience in the Middle East has been that, with many of the people we deal with who were educated in the United States, they tend first to think of the United States as their future resource for equipment purchases et cetera. (49:18)

Committee members became aware as a result of their travels in the area that, compared to some of the larger industrialized countries, Canada has relatively fewer programs of this type available. The Committee is convinced that the provision of educational services not only constitutes valuable export sales in themselves, but can be regarded as a useful, albeit long-term, component of Canada's trade policy.

A concern, voiced by a Canadian businessman who said he was reflecting a view held by the whole Canadian export community, was the possible impact of the recent integration of Canadian trade officials into the Department of External Affairs. Mr. Gourdeau told the Committee:

I am concerned whether trade will prevail or whether it will be a policy relating to politics or external affairs that will prevail. That will be going against the trend in other

countries. . . . I am concerned that over the next three to five years, if we are not careful, we will have excellent political advisors but not people who have been trained in the hard knocks of the trade. (41:34)

The Committee agrees that this point merits examination. By bringing this business viewpoint to the attention of the government, the Committee hopes to ensure that the Secretary of State for External Affairs will continue to appoint officers specializing in trade to this area. It is important that the general foreign policy concerns of External Affairs not subordinate the important trade component of Canada's interests.

In respect to trade promotion, it was interesting to learn from business witnesses that ministerial visits to North Africa and the Middle East, including two prime ministerial visits, were judged to have given important support to sales efforts. Expansion of exports is also assisted by several government programs such as the Program for Export Market Development (PEMD), the Middle East or North African trade seminars to educate Canadian businessmen on the difficulties of dealing in these markets, and the Fairs and Missions Program, that brings prospective buyers to Canada or sends Canadian businessmen to the area.

Business witnesses generally agreed with officials that these activities, while expensive, are necessary and helpful in establishing a good framework for business relations with prospective buyers in Arab countries. Many of these countries have planned economies and their methods of doing business are not those of the western industrialized world. Frequently contracts are concluded on a government-to-government basis and often after some personal contacts have been established at a very high level. For this reason it is important that ministers of the Crown continue to make official visits to countries of the region and that a substantial part of their departmental programs for these countries be devoted to trade promotion activities.

Nor should visits to the region by parliamentarians be overlooked. Their contacts in these countries can be influential in furthering Canadian interests including those in trade and cultural fields.

1. Bilateral trade

a) Algeria

Since 1982, Algeria has replaced Saudi Arabia as Canada's major export market in the area. In that year, Canadian exports to Algeria totalled \$500 million. In both 1983 and 1984 Canadian exports were approximately \$450 million. Agricultural products, including wheat, potatoes and dairy products, lumber and other semi-processed goods constitute about three-quarters of Canada's exports. The remaining quarter includes machinery, prefabricated housing, construction equipment, and railway and streetcar rolling stock. Algeria is a significant market for Canadian technical, engineering, and consulting services, as offered by several large Canadian firms. Such contracts frequently involve procurement and construction as well. In 1983 the estimated value of these engineering and consulting contracts in Algeria was \$50 million. Canadian imports from Algeria consist almost solely of crude petroleum and fuel oil.

Because of these close trade relations, Committee members particularly regretted that their study visit to Algeria was cancelled.

b) Saudi Arabia

Saudi Arabia is now Canada's second export market in the area, taking \$442 million worth of Canadian goods in 1982, \$365 million in 1983 and \$361 million in 1984. In these years, the major Canadian export items were cars, trucks and softwood lumber along with a wide range of other finished goods. Some Canadian companies, including Bell Canada and SNC, have had outstanding success in this market. Even so, Canada's share of the large \$33 billion Saudi import market in commodities was only 1.2 percent in 1984. Imports to Canada from Saudi Arabia have declined significantly in recent years, attributable almost entirely to the reduction of Saudi oil imports. This was due in part to a decline in the total of Canadian oil imports from all sources, but also because Saudi Arabia has chosen to play the role of 'swing' producer, moderating prices and smoothing out supplies. Declining oil production and falling revenues have had a shrinking effect on the Saudi government's massive five-year plans, a development which has had a corresponding impact on its imports. Nonetheless, Saudi Arabia is still the market in the Middle East with the most potential for Canadian exporters, although very competitive and extremely hard to break into initially.

On the whole, the prospects for high technology products or massive resource upgrading equipment may be the most promising area for exports. Because of the heavy subsidization of Saudi agriculture and a comparatively small population base, there is only a limited market for agricultural produce, but Sub-committee members considered it could be a potentially large, if highly competitive, market for Canadian agricultural machinery and equipment. The current Saudi five-year plan has earmarked more than \$21 billion for the agricultural sector development. Railway rolling stock particularly designed to handle the movement of industrial and agricultural goods is another area where Saudi officials indicated to Committee members that Canadian experience could prove of interest.

In 1984 a helping hand to small and medium size Canadian exporters of capital goods and services to Saudi Arabia was proffered in the form of a new Export Development Corporation \$10 million line of credit to provide Saudi buyers with a simple and easily accessible credit facility.

As there is no reporting mechanism in Canada for investments that might include purchases of securities or real estate through nominees or numbered companies, no reliable figures of investment in Canada by Saudi Arabia or other oil-rich Arab states are available. The Committee was told, however, that an 'educated guess' might put the investment figure at about \$6 billion from all Middle East interests, of which Saudi Arabia and Kuwait would be the major sources.

c) Egypt

Egypt is Canada's third largest market in the area. With a swelling population of 45 million people, of which one-quarter live in Cairo and most of the others in a relatively small, 15,000 square mile area along the Nile and its delta,

Egypt is struggling to develop its economy. The state of the economy improved significantly in the early 1980s strengthened as it was by American economic assistance and by a favourable balance of payments position arising from its oil revenues, tolls on the Suez Canal, remittances from Egyptian workers abroad and a revived tourist industry. However, in the past two years, the economy has faced problems due to slow growth, high unemployment, declining oil revenues and workers' remittances, a heavy food subsidy system, and difficulties with its foreign exchange regulations. As a result, Egypt's development is currently somewhat constrained. The government is, however, moving cautiously on economic reform and it will be helped by an increase in U.S. economic assistance funds for 1985 and 1986.

Canada's bilateral trade with Egypt has grown from \$80 million in 1977 to \$360 million in 1984. Canadian exports to Egypt totalled \$286 million in 1984, down slightly from a high point in 1982, when sales of Buffalo aircraft for \$103 million and railway locomotives for \$127 million boosted sales in that year to the exceptional level of \$353 million.

In 1982, Canada signed a nuclear cooperation agreement with Egypt that provides the framework within which future sales of Canadian nuclear expertise, technology, and equipment could be made, but actual sales in this area, if they are to be obtained, are probably several years away.

The recent growth in exports to Egypt appears to have been based on one-time deals financed by the Canadian government, either through EDC or CIDA or both. Egypt attaches great importance to concessional financing. It is the only country in the Middle East and North Africa that falls within CIDA's category I, which entitles it to receive the full range of CIDA's support. Since 1976, Egypt has received about \$200 million in aid-funded goods and services from Canada, details of which will be discussed below pages 105-106.

CIDA grants and loans together with EDC financing were essential elements in the sale of Canadian locomotives to Egypt. Parallel financing by CIDA and EDC contributed to Canada securing a \$77 million project for rural and industrial electrification to supply and install underground cables and an electrical substation as part of a national power grid for Egypt. Since 1979, the EDC has concluded four major transactions involving export financing valued at \$224 million.

The Egyptian Minister for International Investment and Co-operation and a number of Egyptian businessmen with whom Committee members spoke urged more Canadian investment in Egyptian development projects, including those in the private sector, possibly through joint ventures. Egyptian officials and businessmen suggested that Canadian businessmen were not aggressive enough. But in spite of the various incentive programs offered by Egypt, including 'free zones' and periods of tax holidays for new businesses, the Committee sees only limited opportunities for successful Canadian investment there. European competitors are well established and, in spite of the large and rapidly growing population, per capita consumption is low, so that the market for many products is actually small. Intra-regional trade is restricted so that it is not easy for outside entrepreneurs to produce in Egypt for sales

to other Middle East countries. Nonetheless, the Egyptian economy has important assets, including a relatively advanced work force. Some specialized markets undoubtedly exist and Egypt offers the prospect of growth.

Having held its first free general election in over 30 years in 1984, Egypt is moving toward parliamentary democracy. Economic progress and the maintenance of a stable government are vital in a country that the Committee considers is an important contributor to Middle East peace. For these reasons, and because of the special needs of the country, the Committee considers that the present Canadian emphasis on Egypt as a core country for Canadian development assistance should be maintained.

d) *Israel*

With its advanced industrial economy, Israel constitutes a market that is different from neighbouring Arab countries. It represents Canada's fourth largest export market in the area, buying \$151 million worth of Canadian goods in 1984, of which almost one-third were agricultural products (mainly barley), one-third were industrial raw materials and semi-processed goods, and one-third were more fully manufactured goods, including some aircraft engines and parts, telecommunications equipment and heavy industrial machinery. Israel's exports to Canada which totalled \$82 million in 1984 included diamonds, aircraft, agricultural products and a range of other finished goods. With a sizeable bilateral imbalance of payments, Israel is pressing to expand its exports of manufactured goods, particularly high technology products, to Canada. To promote technological transfers and licensing arrangements, Israel is emphasizing increased cooperation in industrial research and development.

Canadians have invested in various Israeli sectors, such as banking, financing, tourism, alcoholic beverages, and housing developments. In contrast to neighbouring Arab states, Israel represents a market where the similarity of language and customs makes it easy for Canadians to do business. However, in the wake of the new Israeli government's austerity measures instituted in the fall of 1984 to ease inflation and reduce the debt, this market may become restricted particularly for manufactured items. The effects of the recently concluded Israel-USA free trade agreement on Canadian-Israeli trade are also not yet clear. However, in 1985, a new program was established by Canada called Israel Technomart '85, designed to promote trade and to increase contact between the private sectors of the two countries through such means as reciprocal trade missions.

Travel and tourism ties between Israel and Canada are substantial and are aided by convenient airline links between the two countries. In 1982, 27,000 Canadian tourists visited Israel and 40,000 Israelis visited Canada. This latter figure may drop steeply, at least on a temporary basis, as the Peres government has reduced substantially the amount of foreign currency Israelis may purchase for trips abroad. It has also instituted restrictions on credit card use by Israelis when abroad.

There are approximately 5,500 Canadian citizens living in Israel and Canada's Jewish population numbers about 267,000. The close and friendly relations between the two countries are reinforced by regular contacts between individuals and

organizations in most areas of endeavour: trade, banking, immigration, education, the arts and sciences, to name a few.

Canada's trade with most other countries of the area is significantly less important than with the four principal trading partners dealt with above.* (See appendix B). The other Arab states have relatively sparse populations. While a number have a low GNP per capita, a few, small oil-rich states like Kuwait, Qatar and the United Arab Emirates have an extremely high GNP level. (See appendix C).

With a few exceptions, the results of Canadian export efforts in the region have been meagre. To break into these markets requires hard work and a long lead time with frequently little to show for the effort. Nonetheless the Committee is persuaded that the Canadian private sector and the Canadian government cannot turn their backs on the opportunities, albeit limited, which exist there. A country as dependent as Canada on foreign trade, should pursue, with energy and persistence, the trade these markets could represent.

e) *Energy*

In respect to energy, Canada has become largely independent of Middle East oil in recent years due to conservation and substitution and to the fact that Canadian companies have been taking an increasing proportion of purchases from suppliers such as Venezuela and Mexico. In 1975, 65 percent of all imported Canadian crude came from the Middle East. By 1984 this had declined to 14 per cent, with Saudi Arabia absorbing most of the decline (see appendix D). Whereas Canada's imports of Saudi Arabia oil were valued at \$2.4 billion in 1980, as mentioned earlier, these had dropped to zero in 1984. Since Middle East oil constitutes only two to three percent of Canada's total oil consumption (including domestic production) Canada as a whole is not at this time as vulnerable as other major industrialized nations to a cut-off in supplies from the Middle East. It is, however, committed through its membership in the International Energy Agency to share its supplies with its allies in the event of an oil emergency. The turbulence caused to western economies and the Third World by OPEC has diminished as prices have fallen. Nonetheless, the Middle East remains the world's largest reserve of oil and many analysts believe the current situation is only a temporary reprieve. The western world's economies could once again feel the unsettling effect of oil shortages and higher prices.

In 1983 Canadian refiners made unusually large purchases of crude oil from Iran, taking advantage of the deep discount prices offered in August, September, and October of that year. These imports from Iran were valued at \$523 million in 1983 compared to \$115 million in 1982. However, the amount fell again in 1984 to \$170 million. In fact, large volumes of Iranian oil imports are unlikely to recur in the near future as oil prices from Iran have had to absorb increased shipping and insurance costs due to the dangerous situation in the Gulf. In the past three years, imports of crude oil from Algeria have been considerable, ranging from almost \$393 million in 1981 to \$284 million in 1984.

* Trade with Iran and Iraq is not negligible and present good prospects for the future. This trade is discussed in Chapter IV above.

Another dramatic change relates to the outlook for petrochemical trade. In recent years, the Saudi government has invested massively in petrochemical plants, primarily to exploit natural gas that previously was flared. Large-scale production is scheduled to begin in 1985. Saudi Arabia will become a strong competitor of Canada for sales of basic petrochemicals to such markets as the United States and Japan. With natural gas feedstock available for their petrochemical manufacturing complexes at a price equivalent to about \$2.50 a barrel of oil there will be a major impact on international markets. The Saudi products will inevitably be significantly cheaper than anything Canadian petrochemical producers could match even with their relatively lower transportation costs to inland U.S. markets.

2. The Arab boycott against Israel

Arab countries have, from the earliest years of the conflict, sought to organize a trade boycott against Israel. Although until recently Canadian trade with Arab countries has been very limited, the subject has aroused considerable controversy in Canada, with governments being pressed to introduce anti-boycott legislation. In spite of the publicity generated, the Committee found that solid information on exactly what is involved was difficult to ascertain.

Although Arab governments began to use the trade weapon against Israel after the 1948 war, it was only following the rapid rise in oil prices in 1973—as a result of which the revenues and the imports of Arab oil states shot ahead—that the boycott effort acquired substantial leverage. The high point of boycott pressure occurred during the late 1970s. For the last few years, primarily as a result of U.S. and to some degree Canadian objections, the Committee was told by officials that a 'modus operandi' seems to have been worked out. Mr. John Nelson, Director of the Middle East Division, Office of Trade Development of the Department of External Affairs, reported:

We have observed over the period of time since this has become a subject of concern, that there has been some modification of the practices of most of the countries in the Arab world, so that they are, in fact, asking our companies for primary boycotts only. (27:27)

Mr. Nelson subsequently explained that "it is the right of a country to preclude certain imports and they may determine which company or companies they do not wish to do business with. We do not like it but we accept it." He contrasted this with:

The secondary and tertiary boycotts are the ones . . . where companies are put in the position of being precluded from doing business with either friendly third countries or other Canadian companies. Both are unacceptable boycotts. (27:28)

Although Mr. Nelson did not speculate on the reasons for the reduction of Arab demands, it appears that it was as a result of a recognition by the Arab countries that the boycott had a limited effect and also because mutually acceptable arrangements by traders, conforming with regulations on both sides, had been worked out.

The Canadian government announced guidelines in 1976 for Canadian companies faced with boycott demands. Mr. Nelson summarized the government's position and the sanctions imposed:

The government found unacceptable situations where companies were put into the position of discriminating on the basis of race, ethnic origin and religion. ... The government has said that [secondary and tertiary boycotts] are unacceptable and that when Canadian companies are confronted with that situation, they have either to renegotiate the contracts or they must drop out from the business concerned. If they go forward and they accede to those two unacceptable kinds of boycott to which I referred, then officials in the government have been instructed that it is government policy that government services will be withdrawn from that company on that particular contract. (27:25-26)

The guidelines originally stated that Canadian companies would "be required to report all instances of their complying with boycott provisions" and that the government would issue periodic consolidations. In actual fact, consolidated reports are no longer being issued and there are no compulsory reporting requirements. Mr. Nelson informed the Committee "When we endeavoured to implement the [reporting requirement] ... we discovered that we did not have the right to do so."

In its submission the Canada-Israel Committee gave prominence to its objections to the limited force of the government's guidelines: "We therefore view the establishment of a compulsory reporting mechanism as an essential first step in implementation of the government's policy." The CIC further complained that compliance with any boycott pressure was not an offence under Canadian law. "We maintain that compliance ... should be prohibited." Their brief commended the "comprehensive anti-boycott legislation" enacted by the Ontario government in 1978.

The federal government introduced a bill (Bill C-32) in December 1978 that would have provided authority for a compulsory reporting mechanism. However, the bill had not progressed beyond first reading by the time the election was called in April 1979. The legislation has never been revived.

The U.S. Congress passed boycott legislation in 1977, which included a compulsory reporting requirement and made compliance a punishable offence. Most European countries and Japan have no anti-boycott legislation, these countries leaving their firms to decide what to do if faced with boycott pressures.

The principal sanction of the Canadian guidelines is the withdrawal of government services, including export financing, from the firm for that contract. Having had an opportunity to observe some of the complexities and the protocol of doing business in Arab countries, and taking account of the competition based on terms of payment, it would appear that there are, as Mr. Stanfield has suggested,

very real costs involved in foregoing the government's services in that region of the world. A withdrawal of government services usually creates great difficulty and always creates a considerable risk even for the most substantial of firms. (32A:16-17)

In fact, the withdrawal of federal services would appear to present a greater barrier to boycott compliance than does the Ontario legislation where a company that is

determined to comply could circumvent the legislation by signing a business contract outside the jurisdiction of the province.

Testimony by representatives of Canadian firms doing business in Middle East countries indicated that in most Arab countries routines have been worked out that comply with Canadian regulations. As Mr. Gourdeau of SNC told the Committee:

we operate totally under Industry, Trade and Commerce wording ... and the understanding was that "We will adhere to the laws and customs of your country, so we expect you to adhere to and respect the laws of our country" and that is the last wording that has been developed and which we have been successfully using. (41:28-29)

Nevertheless, boycott demands introduce an element of uncertainty into business transactions, an element that businessmen would prefer to avoid, particularly since the practice varies from country to country. Moreover, boycott and anti-boycott pressures are unwelcome and undesirable to Canadians. For Canadian companies, these boycott demands are a cause of uneasiness and constitute something of a constraint in doing business in that part of the world.

3. The EDC's role in promoting exports

The activities of the Export Development Corporation (EDC) in North Africa and the Middle East are significant. This organization was established in 1970 to stimulate Canadian exports by helping Canadian firms meet international credit competition through the provision of insurance, guarantees, loan and other financial facilities. Since 1979, EDC financing of export sales to the region under study has amounted to \$1,316 million. Mr. Sylvain Cloutier, Chairman and President of the EDC, told the Committee that Algeria, Egypt, and Israel were the three countries in the region where their financing services were most used. Exports to Algeria have been financed to a value of \$668 million since 1978. From 1979 to 1983 exports to Egypt and Israel were financed to a value of \$397 million and \$170 million respectively.

While EDC's financing services are not needed in the Gulf states, EDC's insurance services are used extensively for sales there. Some major contracts are involved, such as a very large Bell Canada International contract in Saudi Arabia, for which EDC provided both specific transaction and performance security insurance coverage.

No program, no matter how effective, is free from complaint. In the case of EDC financing, witnesses claimed that its rates were often uncompetitive. This is a major problem when North American interest rates have been three or four percentage points higher than they are in Europe or Japan. In such circumstances, EDC commercial financing can hardly hope to be competitive. Witnesses acknowledged, however, that the situation had improved somewhat as a result of the decline in North American interest rates and also as a result of an agreement worked out within the OECD to try to reach international agreement on rates for government financing.

With regard to the Maghreb countries, witnesses spoke highly of the effectiveness of parallel financing, a practice introduced in the last few years that involves linking EDC commercial financing with up to 20 percent of concessional funding from CIDA. Officials said this technique has proved useful when Canada's developmental and commercial interests coincided. Witnesses from CIDA also acknowledged that CIDA's component "is the juice that makes the deal work" commercially. CIDA officials indicated that they regarded parallel financing as a way of extending the value of their contributions.

The principal difficulties noted by business witnesses with regard to the effectiveness of Canada's parallel financing were some lack of coordination between the EDC and CIDA, the difference in the objectives of the two organizations, and the resultant delay in making decisions. Exporters from other competitive countries could arrange their financing directly with one government organization, whereas Canadian exporters were said to face complexities and delays in dealing with both CIDA and EDC separately. In this respect, Mr. David Pugsley, of a provincial organization selling educational services abroad considered that Canadian exporters were disadvantaged.

The moment we get a tough question . . . we have to negotiate among ourselves because we do not have, as England has, but one weaver of the financial package to represent us all at the same time. (49:10)

The result, as Mr. Marcel Dufour, President of Lavalin International, remarked, is that "it may take two years to take a decision on a matter." Mr. Gourdeau of SNC was more explicit about the problem resulting from two differing objectives:

We have CIDA with its financing, the EDC with its financing, and when you try to merge the two, you can't really succeed: they're two parallel financing methods each with its own constraints and procedures. (41:19)

The parallel financing mechanism may only be used for countries which CIDA has decided to place in its category I and II and this constitutes, in the Committee's judgment, a further problem. In order to determine eligibility for development assistance, CIDA has assigned the countries of the developing world to five categories. In making these determinations, CIDA assesses three criteria:

- a) those related to a particular country, including its level of need, its commitment to development, the human rights situation and its absorptive capacity;
- b) those related to Canadian interests, including political considerations such as Canada's bilateral relations, the international role of the country, its membership in the Commonwealth or la francophonie, as well as commercial considerations;
- c) special crisis factors that might include natural disasters or political upheavals.

Of the five categories, two comprise countries which are deemed to be ineligible by reason of their relatively strong economies or because of other factors.

The specific problem which the Committee identified is illustrated by the situation of Jordan, a country placed by CIDA in category III. As a result Jordan does not qualify for CIDA's regular bilateral aid programs, nor is it eligible for parallel financing. In Jordan, the Sub-committee was impressed by the effective

management of the Jordanian economy, which has prospered in spite of very limited natural resources and which represents a potential market for Canadian goods. The president of the Jordanian Planning Council told Committee members that Jordan had, for some time, been trying to get on CIDA's eligible list in order to secure a "soft loan" or concessional financing for major projects to develop Jordanian water resources. He commented that Canada appeared to be penalizing Jordan for the good planning and effective management of its small economy, noting that CIDA funds were going instead to a number of other developing countries that were "squandering" the monies.

The Committee contrasted Jordan's experience with that of Algeria, a category II country. The fact that Canadian exports to Algeria have grown rapidly during the period when Canadian projects were made more attractive to that country through Canada's parallel financing suggests that this technique has significantly stimulated Canadian exports of goods and services to it.

The Committee was surprised to learn that the per capita GNP of Algeria is higher than that of Jordan, a consideration which should carry considerable weight on deciding eligibility. In pointing to this situation, the Committee is not proposing that CIDA place Jordan in its category II, but rather it is using this illustration to make the case for a new arrangement for Canadian export financing.

The only way that Canadian exports to Jordan can, at present, obtain concessional financing is through a lengthy, cumbersome process of mixed credits—as distinct from parallel financing—through the EDC. This involves the Canadian exporter making a documented case that concessional financing is necessary to match competition, followed by submissions to several government departments and finally a Cabinet Committee decision. Delays of more than six months are commonplace in this procedure. The Canadian business community have found it a difficult and inflexible system, a disadvantage noted in the Consultation Paper on Export Financing issued by the Minister of International Trade, Mr. Kelleher in January 1985.

In making suggestions as to how Canada's export financing procedures could be improved, the Kelleher paper proposed, as one of three options for consideration, "a more aggressive use" of the mixed credit facility administered by the EDC. The present program could be transformed

from a matching facility to one which would actively seek out new business. Current project selection could be somewhat relaxed. Approval procedures speeded up and additional resources made available.

The paper indicated that developmental factors should continue to be taken into account in the project selection.

The Committee considers that such an arrangement would have definite advantages for Canadian exporters in overcoming the problems which it has identified associated with the parallel financing system. With this new mechanism, the EDC would be able to respond rapidly and Canadian firms would be able to deal with a single federal agency instead of two as businessmen had complained of. An

expanded mixed credit facility would also, with relaxed criteria, facilitate the use of concessional financing for Canadian exports of goods and services to Jordan, a country that could become an interesting export market for Canadian goods and services. Canadian officials recognized in testimony that Canadian concessional parallel financing had stimulated Canadian exports in the Maghreb and Egypt. The Committee was told, for instance, that only 15 percent of Canada's trade with Egypt had been financed under CIDA's concessional terms, but Canadian exports there, as a result, had increased many fold. There is no reason to doubt the same result could not be obtained in cases such as Jordan.

For these reasons the Committee urges the government to consider adopting the proposal set out in its recent Export Financing paper to expand and modify significantly the use of the mixed credit program and that it should be administered by the EDC. At the same time, the Committee urges the Canadian government, in implementing more aggressively this mixed credit facility, to look to Jordan as a country in which to "seek out new business under a more relaxed project selection procedure." Although there were indications in the May 23 budget that the Canadian government was moving in this direction, the detailed papers indicating how the government intends to carry out its intentions will not be available for several months.

Another interesting suggestion regarding the EDC programs in the region was made by Mr. Gourdeau of SNC. He proposed that the

EDC be encouraged to sell cross consortium liability insurance policies, as in England. French, American, and Japanese companies are large enough to take on major projects alone. In order to undertake such projects, Canadian companies often have to form consortiums. The risk involved in such "jointly and severally liable" responsibilities is so large that we often price ourselves out of the market; alternatively we may decide quite simply not to bid. An insurance policy such as this would afford mutual protection to the members of a consortium, and, even with a large deductible as earnest of the consortium's good faith, would help us enormously. (41:17)

The Committee considers that this proposal should be carefully considered by the EDC.

4. Canadian development assistance and humanitarian aid

CIDA

Among the countries of the area, CIDA's bilateral programs focus on Egypt, Sudan and the three francophone countries of North Africa—Algeria, Morocco and Tunisia.

As mentioned previously, Egypt is the country in the region to which most CIDA funds are allocated at present. While earlier disbursements to Egypt had amounted to approximately \$25 million annually, in 1982 and 1983 this level dropped to \$12 million and \$7 million respectively. This decline was due mainly to a

change in the character of some of CIDA's projects in Egypt. Prior to 1982-83, projects supported by CIDA were of the basic infrastructure type: a rural electrification program involving a \$25 million loan from CIDA; a locomotive program due to be completed in 1987, which involved a \$36.4 million loan and a \$5 million dollar grant; and an electrical interconnector scheduled to be finished in 1986, which involved a \$12.5 million loan and a \$7.5 million grant. Such projects involved the export of costly industrial equipment which resulted in large loans. More of the recent CIDA projects are of a training and developmental type such as a project to train Egyptians to operate and manage electrical installations, the research and collection of data related to soil and water in Egypt as well as the provision of grain storage facilities in the delta area. In each instance, CIDA's portion of the project represents only a small portion of the total cost.

CIDA officials judge its programs with Egypt to be productive for a number of reasons. Mr. Charles Bassett, a CIDA vice-president, told the Committee:

Egypt is a country with which, for many reasons, we can have a very productive aid relationship. It is a country which has the motivation, the existing institutions and the people required for successful implementation of an aid program. For these reasons the program in Egypt over the years has proved effective, and the developmental impact of the CIDA program has been favourably acknowledged by the Egyptian government on a number of occasions. (33:13)

Canada's bilateral relations with Sudan are limited mainly to the assistance provided through CIDA. Sudan was considered to have good agricultural potential, but very low rainfall for several years, followed most recently by three successive years of drought, have resulted in drastic declines in agriculture and extreme food shortages. Facing famine, several million Sudanese abandoned their homes and trekked to the outskirts of the cities in search of food and water. A heavy trade imbalance has swelled Sudan's foreign debt and led to monetary instability. Although oil has been found, it remains largely untapped and Sudan imports oil. In the southern part of the country, there is considerable political unrest and sporadic civil war.

Before the military government of General Siwar el-Dahab assumed power in April 1985, a number of major contributors to Sudan namely, the United States, West Germany, United Kingdom and Saudi Arabia, had curtailed or frozen their economic assistance. The principal reason was said to be the very poor, even chaotic, financial management which created staggering international debt obligations and led to a general strike and food riots. The U.S. cutbacks were designed to press the Sudanese government to institute economic reform. They were restored on the eve of the former government's downfall after a number of remedies were promised or instituted.

The focus of CIDA's programs in Sudan is on development of its agricultural and its forestry sector. Over a five-year period, CIDA is spending \$12.2 million on an agricultural pilot project in an area southeast of Khartoum designed to demonstrate increased efficiency in sorghum production. Also over a five-year period CIDA will spend \$14.4 million on two forestry projects in the southwest and central areas where forestry management and wood utilization techniques are emphasized.

Canada's bilateral economic assistance to Sudan amounted to \$9 million in 1982-83 and \$5 million in 1983-84.

Canadian food aid to Sudan, mainly in the form of wheat flour and mackerel, amounted to \$8 million in both 1982-83 and 1983-84 and is scheduled to rise substantially to \$12 million in 1984-85 in the face of the continued drought and the influx of refugees. Almost one million refugees have flooded into Sudan from the neighbouring countries of Ethiopia, Uganda and Chad, adding to the five to six million Sudanese forced from their homes by famine. To assist Sudan with its severe refugee problems, Canada has provided an additional \$1 million each year during the past three years to multilateral agencies.

CIDA officials recounted to Committee members the difficulties of working in Sudan in the face of the serious internal political instability in the country and the absence of sound economic practices. However, the Canadian government is concerned about the plight of the Sudanese from an humanitarian point of view and considers its CIDA projects are making a significant contribution and it has no plans to cut back on its bilateral assistance to Sudan.

With regard to the Maghreb countries of Algeria, Morocco, and Tunisia, officials explained that almost a decade ago, CIDA began to reorient its approach to these countries, asking them to assume more responsibility for their development while offering some CIDA financial contribution as an incentive. The programs for these countries therefore now involve mainly parallel financing of specific projects by CIDA and the EDC. There are also training and exchange programs. Mr. François Pouliot, a CIDA official, told the Committee that Canada's involvement in these three countries was a success.

The positive results we have achieved are due to the high level of competence in these three countries, to a well-organized government and administrative structure and to the financial ability of these countries to contribute in a significant manner to the achievement of these projects. (33:11)

Since 1968, CIDA contributions to Morocco have totalled \$45 million, to Algeria \$30 million, and to Tunisia \$110 million. A relatively small amount of Canadian development assistance has gone to Lebanon and North and South Yemen.

Another aspect of Canadian assistance in the area is the co-financing, in cooperation with Arab or Israeli aid agencies, of development projects in third countries. CIDA currently has an involvement of \$856 million in 34 projects in cooperation with Arab aid agencies in 30 developing countries. The Arab aid agencies are located in Kuwait, Saudi Arabia, and the United Arab Emirates. CIDA also cooperates from time to time with Israel in economic assistance to third countries. The most recent instance involved a dairy farm project in the Dominican Republic, where CIDA provided \$3.4 million for livestock and dairy equipment.

The Committee was interested to learn of the commercial spin-off benefits of such co-financing of projects with these aid agencies. Mr. Noble Power, a CIDA vice-president, explained that when the project involves a sector where Canada is internationally competitive, there may be increased procurement of Canadian goods

by Arab Funds. A recent example was a project undertaken with the Kuwait Fund that led to sales of \$14 million worth of Canadian locomotives for Zimbabwe railways. In addition, such trilateral assistance projects may even stimulate increased exports of Canadian products to the cooperating country.

In general, witnesses were complimentary regarding CIDA's programs in Middle East and North African countries. However, the Committee asked for suggestions as to how present programs might be improved, and it passes on some of these thoughts to CIDA for consideration.

There were several favourable references to Canadian Project Preparation Facility (CPPF) funding. CPPF provides full support for pre-feasibility studies, up to a limit of \$250,000. While describing the program as "excellent", Mr. Gourdeau of SNC noted that it cannot be used for feasibility studies. EDC is responsible for financing such studies, but the procedure for applying for them is cumbersome and "financing is in the form of loans with fairly heavy credit conditions whereas our competition abroad have access to grants." Mr. Dufour of Lavalin noted that the upper level of \$250,000 was low in view of the fact that "studies for a project can cost up to about \$3,000,000."

Mr. Gourdeau mentioned one other concern. He expressed the hope that the Canadian government "should urge on client-governments the acceptance of North American-type performance bonds rather than the banks' guarantees which commit an over-large portion of the exporter's credit."

The Committee realizes these are highly technical areas, but it does urge CIDA to reflect on the views of the Committee's witnesses.

Canadian development assistance and the West Bank and Gaza

The West Bank and Gaza present a special problem. Since these areas are under Israeli control, and since Israel's per capita GNP is relatively high, neither Israel proper nor the occupied territories are deemed to be eligible for Canadian development assistance funds.

Committee members had the opportunity to see for themselves the need for development assistance in the occupied territories, for example, in projects such as agricultural co-operative marketing, improved water storage or land reclamation. The Committee learned that apart from Canada's long-standing substantial support for UNRWA (about one-third of which goes to the Palestinian refugees in camps in the occupied territories), a very modest amount of Canadian government funds is available to a few Canadian non-governmental organizations (NGOs) for development and humanitarian assistance programs in the West Bank and Gaza. This CIDA assistance for NGO's at present consists of a total of \$220,000 dispersed annually for one project in Gaza and two projects in the West Bank. In addition, in 1984, a \$600,000 disbursement was granted over a five-year period to assist in the construction of a new building at the University of Bethlehem. Aside from this

assistance to Canadian NGO's there are no CIDA bilateral assistance programs nor any CIDA project assistance funds available for these two areas.

The Committee understands the legal and practical difficulties of channelling aid directly to the West Bank and Gaza, since they do not comprise an independent state, and since Israel, as an occupying power, requires that it approve all expenditures in those territories.

In spite of these difficulties the United States Administration has earmarked, for 1985-86 alone, \$10 million for development projects in the West Bank and Gaza to be implemented both by U.S. and local voluntary organizations. A U.S. official spokesman explained this increase to Congress saying that the "requirements for this program have become greater because of the Israeli economic crisis which has had its impact on the economy of the occupied territories".

The Committee also learned in Jordan that the European Community in 1983 provided about \$2 million in developmental aid for the West Bank, administered through a Jordanian governmental agency. These funds were being directed to agricultural and training cooperatives in the West Bank.

When Sub-committee members were in Jordan, the West Bank, and Jerusalem, they learned more of specific problems associated with aiding the economy of the West Bank. Jordan together with a few NGOs from other countries including the United States and Canada, tried to counter the increasing economic dependency of the occupied territories on Israel by proposing small-scale development projects. Many of these proposals were rejected by the Israeli occupation authorities. A Canadian non-governmental organization operating in the West Bank told Committee members of the difficulties it had encountered in getting developmental projects approved. American Near East Refugee Aid (ANERA), a U.S. organization, has had numerous projects disapproved without explanation. Among the rejected projects of which the Committee is aware are agricultural cooperatives, a livestock farm, a poultry farm and small water conservation projects.

These details provided by Jordan were borne out in discussions with Mr. Benvenisti, the former deputy mayor of Jerusalem, who has studied the West Bank economic situation closely. His study stated that only one in seven U.S. proposals for dairies, hatcheries, and other agricultural processing establishments was approved by Israel and almost all projects involving purchases of tractors, bulldozers, and other earth-moving equipment were rejected. Mr. Benvenisti expressed the opinion that the latter rejections indicated Israel wanted to prevent Palestinian reclamation of the rough stony ground, designated by the Israelis as 'state land' that was 'uncultivable'. The study also concluded that while U.S. aid had tried to strengthen the economic base of the Palestinian community, Israeli intervention had, in fact, altered this emphasis through its approval and disapproval policy, thereby curbing development of the viable Palestinian economic sector and forcing Palestinians into a dependence on Israel.

During his meeting with Committee members, Mr. Benvenisti urged that the Canadian government try to assist development projects in the West Bank and Gaza directly. While acknowledging that Israel had in the past raised certain difficulties in respect to economic development projects sponsored by other governments, he commented that the attitude of the Israeli government appeared to be changing. In this matter, he specifically called for persistence on the part of the Canadian government.

In the meantime, the national unity government has replaced the Likud government in Israel. In view of the Labour party's relatively more flexible policies toward the West Bank, it could be assumed that further easing of restrictions might take place. According to press reports, the Peres government has already taken measures to encourage investment in the West Bank and to permit the creation of an Arab bank to foster Palestinian economic development.

In fact, in the first five months of 1985 the U.S. Administration experienced an improvement in the approval rate by the Israeli government for U.S. funded projects in the West Bank and Gaza. Although difficulty was still being experienced with agricultural projects, community development projects are now being agreed to, to the extent that the U.S. Administration is scheduling a supplemental \$8 million in addition to the \$10 million already budgeted for such projects in 1985-86. The United States is also looking into use of the Jordanian agency used by the European Community as a means of funnelling increased project assistance to the West Bank. Moreover, in several recent departures the U.S. Administration has granted monies directly, rather than through U.S. non-governmental agencies, to the municipality of Bethlehem and to a Palestinian welfare agency for handicapped children in Gaza headed by Dr. Abu Ghazaleh. Similar U.S. direct funding is being considered to an Islamic welfare society in Jerusalem.

The Committee endorses development and humanitarian assistance programs for the West Bank and Gaza. It recommends that the Canadian government and CIDA revise their policy toward the West Bank and Gaza and classify these territories in a way which will make them eligible for direct development program assistance and that CIDA put increased emphasis on support of non-governmental agencies working in this area. Particular attention should be given to Gaza because of the extremely crowded conditions, its large youthful population and its need for intensive development projects. The Committee considers that growth and stability in the West Bank and Gaza will be important for future peace in the area.

The government should investigate with some persistence precisely what are the best ways of handling such funding. The Committee was pleased to learn that since its visit to the Middle East, a modest step in this direction has in fact been taken and a small amount (\$50,000) of development funds has been allocated to the Canadian Embassy in Tel Aviv to be used for projects in the West Bank and Gaza. The Committee notes, however, that under this Mission Administered Funds (MAF) system, \$350,000 can be allocated to each embassy. While it is appropriate to address the needs slowly and carefully at first, the Committee hopes that by late 1985, when potential projects have been identified and assessed, the current MAF

allotment of \$50,000 for this purpose will be considerably increased. The Embassy is well placed to advise on projects which will promote self-help development efforts in areas such as vocational education, agriculture co-operation, land reclamation, water conservation or community development.

In addition, increased investigations should be made by CIDA as to ways of implementing direct funding to municipalities or to Palestinian welfare groups. Since the United States has found this possible, it may be new avenues are opening in this respect. The utilization by the Europeans of the Jordanian agency could also be examined by CIDA as a possible way of channelling assistance to the West Bank.

Humanitarian aid

Canada has given \$70 million over the years to UNRWA since its inception. For 1983-84, UNRWA requested that since its food supplies were adequate, Canada might eliminate the food aid portion, while maintaining at least the same total value level of its contribution. In fact, Canada maintained and even exceeded its previous UNRWA contribution level with a total of \$8.7 million although its contributions fell to \$6.5 million in the 1984-85 fiscal year.

In addition to its UNRWA contributions, Canada has responded to difficult situations in the area with additional humanitarian assistance contributions. (See appendix E for details). In Lebanon, Canadian contributions for humanitarian assistance from the time of the Israeli invasion to mid-1984 have amounted to \$5.5 million. This program has been channelled through various international organizations. In addition the Canadian Embassy in Beirut dispenses its Mission Administered Funds of \$350,000 towards relief emergency services in Lebanon. The Canadian government has also approved the spending of \$5 million in Lebanon for rehabilitation and reconstruction but because of the continuing internal conflicts within the country, only \$1.2 million of these monies have been spent. Under current conditions, the Committee considers that aid to Lebanon should be restricted largely to humanitarian and emergency assistance. Until a measure of domestic order is re-established, the Committee is sceptical of the benefits to be derived from assistance for reconstruction purposes.

C. Immigration and Refugees

1. Immigrants

Immigration into Canada in recent years has been largely limited to those applicants who have relatives already in Canada who can sponsor them. The major exception are refugees who can qualify for entry under special circumstances. There is also a small minority of immigrants who qualify for entry as independent businessmen.

As a result, immigration from Middle East and North African countries has remained relatively small, expanding very slowly from about 4,100 in 1978 to 5,657

in 1984, down from a high of 6,500 persons in 1982. (See appendix F for detailed statistics.) The highest concentration—about 80 per cent—comes from Iran, Lebanon, Israel, Egypt, and Morocco. The Committee learned that there is a high proportion of entrepreneurs and business people coming to Canada from this area, particularly from Morocco, Syria, Israel, Egypt, and Lebanon. Prior to the Gulf war Iranian immigrants came to Canada directly from Iran, whereas now the majority of Iranians apply from abroad, having fled their own country.

Canada maintains immigration officers in a limited number of cities: **Cairo** processes cases originating in Egypt and the Sudan; **Kuwait** looks after cases in Kuwait, Iraq, Iran, Saudi Arabia, the Yemen Arab Republic, the Yemen People's Democratic Republic, Oman, the United Arab Emirates, Qatar, and Bahrain; and **Tel Aviv** looks after cases in Israel. Tunisia and Algeria are serviced from the office in **Marseilles**; Morocco by the office in **Rabat**, and Libya by the office in **Rome**. A new regional immigration office was opened in **Amman** in mid-1984, replacing the regional office in **Beirut**. Not all of these offices seem to be conveniently located to deal with the possible immigration applications. For instance, with no Canadian office in **Damascus**, it is unlikely Syrian applicants would go to **Amman**. The recent move of the immigration office from **Beirut** will make it more difficult for Lebanese and Palestinians in Lebanon to apply.

2. Refugees

Relatively speaking, Canada has an excellent record of aid to refugees from the Middle East and in recent years has been a haven for Lebanese seeking to flee the turmoil of their country as well as for persecuted minorities from Iran and Iraq. However, there appears to be a problem in identifying those refugees in the area who may be most in need of assistance, namely, the Palestinians.

In 1981, the Canadian Government instituted a new program that designated the Middle East a region of concern for refugee resettlement. It allocated 400 places for government-sponsored refugees from the Middle East, but only 257 refugees came in. Partly because of the troubled situation in Iran and Lebanon, the Middle East refugee allocation was doubled for 1983 to 800 places, but again the allocation was not filled and only 294 refugees came to Canada. At the height of the Israeli invasion of Lebanon in 1982, the government decided to allow approximately 1,000 visitors of Lebanese origin then in Canada to stay for a full year and work under a minister's permit, after which period their situation would be reviewed. At the same time, the rules of sponsorship were relaxed for Lebanese families. Approximately 900 persons benefitted from these special arrangements, which remained in force in 1984.

In 1983, the number of Iranian refugees coming to Canada doubled. This increase reflected the emphasis of the Canadian immigration program on persecuted Iranians of both the Baha'i faith as well as other minorities. Many of the Baha'is come in either sponsored by private groups or under a special program for Iranian visitors. In addition to the Baha'is residing both within and outside Iran, there are

also an increasing number of other Iranian refugees in neighbouring countries who wish to come to Canada. Canada is currently recognized as having an exceptionally receptive program for Baha'i refugees which is a reflection of the government's concern over the persecution of this group in Iran. Canada has voiced this concern vigorously in the United Nations.

A considerable increase was also noted in the number of Iraqi refugees which could be related to difficulties experienced by those of Kurdish or Assyrian origins. The conflict between Iran and Iraq is likely to produce increasing numbers of refugees from both countries. The continuing Lebanese crisis may also result in additional Lebanese refugees. These developments may lead to the quota for Middle East refugees being taken up in the near future by these groups.

The Committee approves of the government's actions in this area. It appreciates the particular difficulties that officials face working without diplomatic contacts in Iran.

With the sizeable Palestinian community in Lebanon particularly in mind, the Committee undertook a brief investigation of the situation respecting possible refugees from there. Lebanon has received three waves of Palestinians: in 1948, in 1967, and again in 1970, when another 100,000 came from Jordan after King Hussein clamped down on the PLO forces operating in his country. Some of the first group of Palestinians gained Lebanese citizenship and have been integrated into Lebanese society. Others have migrated to the Gulf states to work. An estimated 225,000 still remain in Lebanon. Many of these are in refugee camps or are homeless in the wake of the Israeli invasion and the internal Lebanese disorders. From a humanitarian point of view, the Committee looked into whether Canada could or should take exceptional measures to help Palestinian refugees to leave the area and come to Canada if they so wished.

Professor Howard Adelman of York University told the Committee that his investigations in Lebanon had led him to conclude that emigration was a third priority among Palestinians in Lebanon. Their first dream was to go back to their homes or their parents' homes in what is now Israel, although most now realized that this was unrealistic. Their second priority was to get some sort of status, preferably Lebanese citizenship which Lebanon was unable or unwilling to offer. Their third choice appeared to be emigration abroad. Professor Adelman tentatively advanced the idea of a resettlement proposal sponsored by Canada and other industrialized countries for about 50,000 of these Palestinians, with Canada taking in about 5,000 as refugees over a two-year period.

The Committee shares the conclusion that the Palestinians' first choice of returning to Israel is unrealistic and that even the second choice of Lebanese citizenship is unlikely. Dr. Salim al Hoss, former Lebanese Prime Minister and Minister of Education in the 1984-85 government of reconciliation, was asked by the Committee whether the Lebanese government was willing to give Palestinians rights of citizenship in Lebanon. He replied:

No, just as refugees because we subscribe to the Arab cause. We are a member of the Arab League. We are an Arab country, and we think that the Palestinians have the legitimate right of self-determination. Until they decide their own fate and until they speak out on their destiny, they will remain as refugees wherever they are. We are against the implantation of Palestinians in Lebanon or anywhere else. This runs contrary to the core of the Arab cause which is identifiable with the Palestinians' legitimate right of nationhood. (43:16)

This quotation indicates a major political problem associated with a proposal to facilitate the emigration of a number of Palestinians. Obviously, Canada should not and would not wish to intrude in the political issue confronting the Middle East in respect to the Palestinians. Neither UNRWA, which has responsibility for Palestinian refugees, nor the neighbouring Arab governments have made any effort to develop resettlement or integration policies for Palestinians. The Palestinian leadership fears that, with no country to call their own, such policies would weaken their case for a homeland, thereby playing into Israeli hands.

It is an anomaly that, even though so many Palestinians throughout the Middle East live in refugee camps run by a special UN agency, they are not considered refugees under the UN's definition. The United Nations, reflecting the will of the international community, decided in 1949 to establish an organization to look after Palestinians until they were in a position to return to their homes. To ensure that this objective is not forgotten, UNRWA has never been permitted by the United Nations to make any effort to resettle the residents of the camps it administers. Yet as the Committee has seen, many tens of thousands of Palestinians in Lebanon, Jordan, and Syria live without the protection of a state and have been uprooted, some as many as two or three times. This surely entitles them to be given the same consideration as refugees by the international community. The situation is complicated by the fact that the UN definition of refugees requires a refugee to be actually outside his or her homeland. While there are some Palestinians living in Gaza and the West Bank who were uprooted from their homes in what is now Israel, there are also many others living there who have always lived there, and who could be classified as "in-homeland" refugees, with no citizenship or state protection of any kind.

The Committee, like the Canadian Government, is conscious of the sensitivity of Palestinians and the Arab states on this issue. However, the Committee knows of individual cases of Palestinians who would like to come to Canada but have encountered difficulties in doing so. In 1982, Israeli border checkpoints reported a net annual departure of about 10,000 Palestinians from the West Bank and Gaza. While many returned as required to renew their residence permits, others left for good. Mayor Freij deplored the emigration of Christian Arabs from the West Bank and Gaza, which he told the Committee was caused by the 'prolonged crisis' rather than by any difficulties between Arab Moslems and Arab Christians. This confirms that there is some emigration of Palestinians even though such moves are discouraged by the Palestinian leadership.

Having visited refugee camps in Gaza and Syria, Committee members are aware of the crowded conditions for the Palestinians in these and other camps. It would not be surprising if some inhabitants of these camps decided to think of

emigrating to a non-Arab country. Moreover, the attacks, first by Christian militia and more recently by the Shiite militia, on the Palestinians in southern Lebanon almost certainly will cause a certain number of the Palestinians there to seek to emigrate.

Since the Palestinians are not regarded as being eligible to come to Canada as refugees, they must apply as immigrants. This can prove difficult because Palestinians frequently lack papers and passports. Unless they have relatives already in Canada they must also meet Canadian immigration requirements, which are quite restrictive.

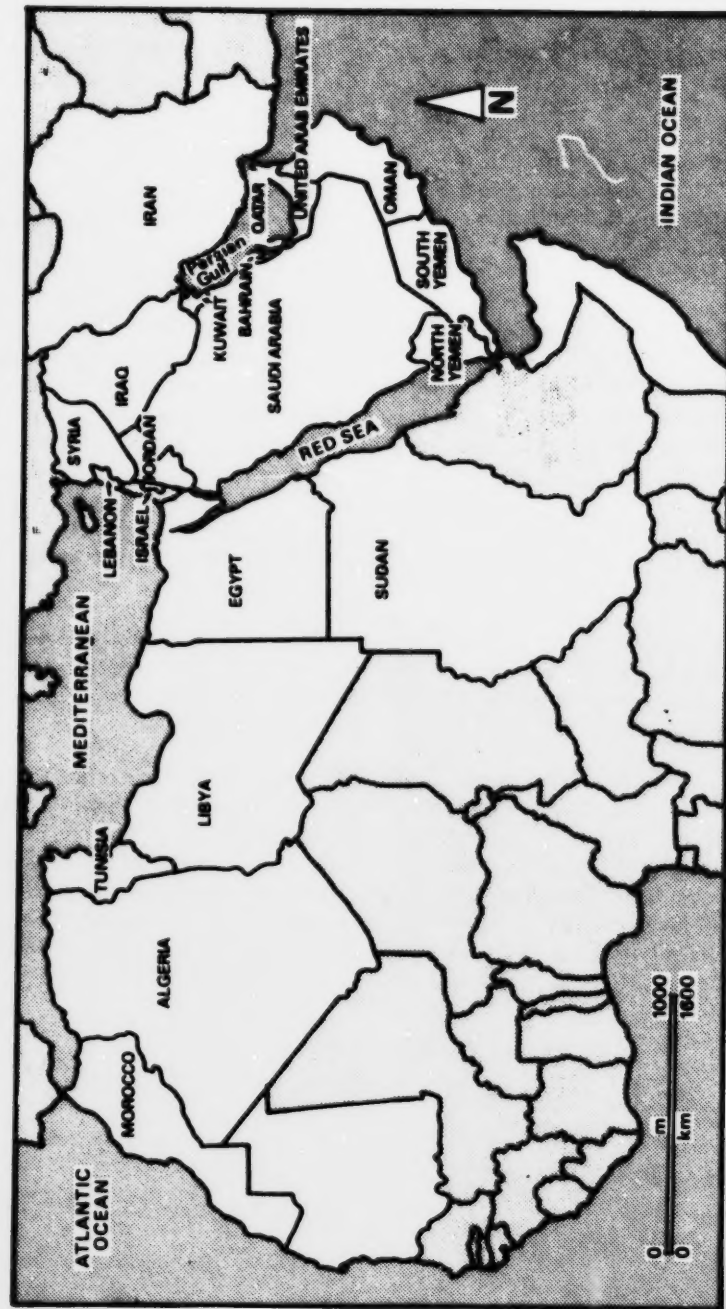
Canadian immigration officials who came before the Committee said Canada's refugee programs were "designed to meet international conclusions about how resettlement could help". In other words, Canada follows established UN practice. The officials testified that if Canada wished to make possible a major movement of Palestinians to Canada, the logical way would be to have them come in under "a designated class" program whereby "a specific group of people in a particular geographical area, or with the same problem, is selected under our law in the same way as an individual refugee would be selected". This has been done in the past for refugees from Hungary, Poland, Uganda and Indochina. The Committee doubts whether such a procedure would be acceptable to or even welcomed by the Palestinian leadership.

The Committee would not like to see Canada introduce a "designated class" program for Palestinians as this would be perceived as a political gesture, and Canada's intentions might be misunderstood in that politically sensitive part of the world.

Immigration officers told the Committee that their officers in the field can respond to individuals if they make a case for themselves. The Committee hopes this instruction could be liberally interpreted in the case of Palestinians in the Middle East. Since Canada is prepared to take refugees from the Middle East and the quota is not being filled, the Committee recommends that the Canadian Government give its immigration officials a special, pragmatic and flexible authority to deal in a humanitarian manner with Palestinian individuals or families wishing to come to Canada. If necessary this could be handled under Ministerial discretionary authority.

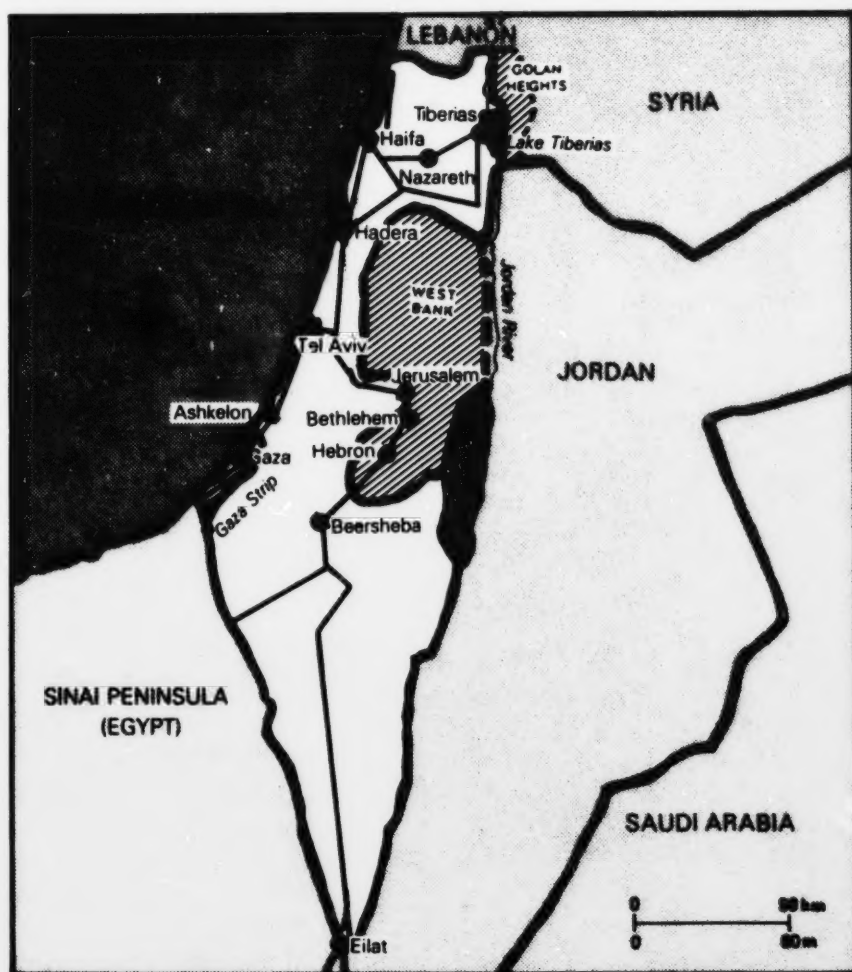
MAP A

THE MIDDLE EAST AND NORTH AFRICA



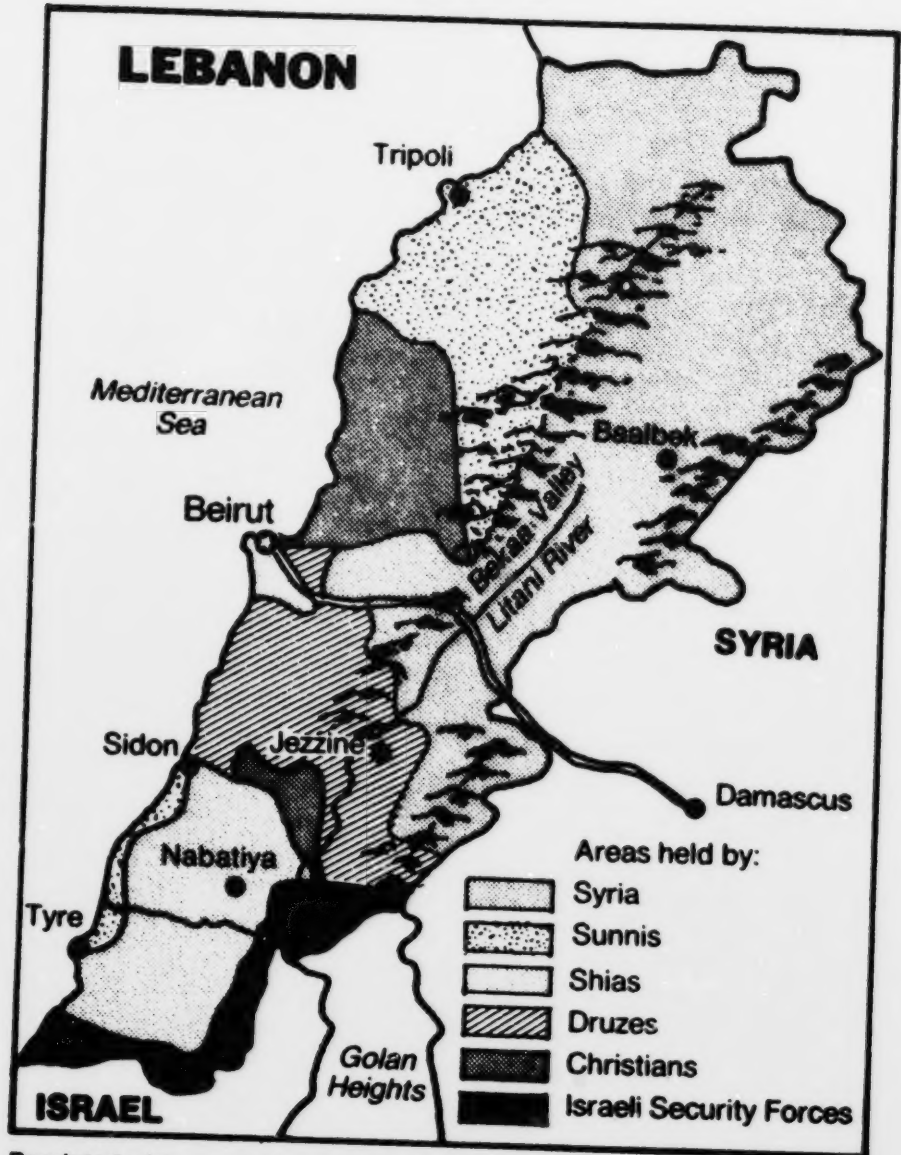
MAP B

ISRAEL AND ITS NEIGHBOURS



 *Israeli occupied territory

MAP C



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APPENDIX A

List of persons who appeared before the committee during the current study with the issue number and date of the proceedings in which their evidence appeared.

Issue Number	Date	Witnesses
First Session of the Thirty-Second Parliament, 1980-81-82-83		
24	June 22, 1982	Dr. John H. Sigler Director The Norman Paterson School of International Affairs Carleton University, Ottawa
25	June 29, 1982	Dr. John H. Sigler Director The Norman Paterson School of International Affairs Carleton University, Ottawa
	November 8, 1982	His Excellency Kamal Hassan Aly* Deputy Prime Minister and Foreign Minister Arab Republic of Egypt
26	February 1, 1983	His Excellency Mohamed Hosni Mubarak* President Arab Republic of Egypt
27	November 9, 1982	Department of External Affairs Mr. John Nelson Director of the Middle East Division Office of Trade Development Africa and Middle East Ms. Verona Edelstein Director Africa Division Office of Trade Development Africa and Middle East

* Joint meeting with the Standing Committee on External Affairs and National Defence of the House of Commons.

- | | | |
|----|-------------------|---|
| 28 | November 16, 1982 | Mr. William H. Barton
Former Canadian Ambassador at the
United Nations |
| 29 | November 18, 1982 | Mr. Don Campbell
Assistant Undersecretary
Office of Resource Industries,
Energy and Food
Department of External Affairs |
| 30 | November 23, 1982 | Mr. Charles Adams
Institute of Islamic Studies
McGill University, Montreal |
| 31 | November 25, 1982 | Export Development Corporation
Mr. Sylvain Cloutier
Chairman of the Board and President

Mr. Don Keill
Senior Vice-President
Export Insurance

Mr. Jean Arès
Senior Vice-President
Export Insurance

Canadian Commercial Corporation
Mr. Gorse Howarth
President

Mr. O.I. Matthews
Director General
Export Supply Centre |
| 32 | December 9, 1982 | The Honourable Robert L. Stanfield, P.C. |
| 33 | January 27, 1983 | The Canadian International Development
Agency (CIDA)
Mr. William McWhinney
Senior Vice-President

Mr. Noble Power
Vice-President
Corporate Affairs

Mr. Charles P. Bassett
Vice-President
Anglophone Africa Branch |

- Mr. François Pouliot
Vice-President
Francophone Africa Branch
- Mr. Rick Ward
Senior Country Program Director (Egypt)
- 34 February 8, 1983 Professor Henry Wiseman
Department of Political Studies
University of Guelph
Guelph, Ontario
- 35 February 10, 1983 **The Canada-Israel Committee**
Mr. Harold Buchwald, Q.C.
National Chairman
- Mr. Mark Resnick
National Executive Director
- Mr. Robert Willmot
Director of Special Projects
- 36 February 15, 1983 Professor Elia T. Zureik
Department of Sociology
Queen's University
Kingston, Ontario
- 37 February 17, 1983 **Department of External Affairs**
The Honourable Allan J. MacEachen, P.C.
Deputy Prime Minister and
Secretary of State for External Affairs
- Mr. Michael Shenstone
Assistant Under-Secretary
Bureau of African and Middle Eastern
Affairs
- 38 March 1, 1983 Mr. Joseph P. Husny
Chairman of the Board and Chief Executive
Officer
MIRON Inc., Montreal
- 39 March 3, 1983 **The Canada-Palestine Solidarity Committee**
Mr. Khaled Mouammar
President
- Mr. Naji Farah

- Professor Michael Mandel
Associate Professor
Osgoode Law School, Toronto
- 40 March 15, 1983 Dr. Janice Stein
Department of Political Science
University of Toronto
- 41 March 17, 1983 **The SNC Group**
Mr. Jean-Paul Gourdeau
President and Chief Executive Officer
- Mr. Jean Pierre Lefebvre
Vice-President (Middle East)
- Lavalin International Inc.**
Mr. Marcel Dufour
President
- Mr. Peter Kilburn
Vice-President (Project Financing)
- 42 March 22, 1983 **The Canada-Israel Chamber of Commerce
and Industry**
Mr. Melvyn Zwaig
Vice-President
- Mr. Nicholas Simmonds
Executive Director
- 43 March 24, 1983 Dr. Salim el Hoss
Former Prime Minister of Lebanon
- 44 April 20, 1983 **The Canadian Arab Federation**
Mr. Sami Hadawi
- Professor Atif Kubursi
McMaster University, Hamilton, Ont.
- 45 April 21, 1983 Dr. Howard Adelman
Professor of Philosophy and
Director, Refugee Documentation Project
York University, Toronto
- 46 April 26, 1983 **Employment and Immigration Canada**
Mr. W.K. Bell
Director General
Recruitment and Selection Branch

- In Camera* April 28, 1983
- Mr. R.A. Girard
Director
Refugee Policy Division
- The United Nations Relief and Works
Agency (UNRWA) for Palestine Refugees
in the Near East**
Mr. Olof Rydbeck
Commissioner-General, UNRWA
Headquarters
Vienna, Austria
- Mr. John A. Miles
Director, UNRWA Liaison Office
New York
- 47 May 26, 1983
- Middle East Group University of Toronto**
Mr. Lorne M. Kenny
Chairman
Professor of Middle Eastern and
Islamic Studies
- Mr. Andrew M. Watson
Associate Chairman
Professor of Economics
- 48 June 14, 1983
- His Worship Elias Freij
Mayor of Bethlehem
- 49 September 22, 1983
- Ontario Educational Services Corporation**
Mr. David Pugsley
Vice-President
- Canadian Bureau of International Education**
Ms. Carolyn Masleck
Director
Educational Exchange
- Mr. Roger Charles
Assistant Director
Contracted Educational and Training
Service
- In Camera* September 27, 1983
- Bell Canada International**
Mr. Bruce H. Tavner
Chairman of the Board and Chief
Executive Officer

- | | | |
|------------------|------------------|---|
| | | Northern Telecom Ltd.
Mr. Basil Bénéteau
Vice-Chairman |
| 50 | October 12, 1983 | Professor Salim Jahel
Former Minister in the Government of
Lebanon |
| <i>In Camera</i> | October 19, 1983 | Toronto-Dominion Bank
Mr. William Brock
Executive Vice-President |
| 51 | October 26, 1983 | World Jewish Congress
Mr. Edgar Bronfman
President
New York |

Second Session of the Thirty-Second Parliament, 1983-84

- | | | |
|---|----------------|---|
| 1 | March 7, 1984 | Dr. Irwin Cotler
Faculty of Law
McGill University, Montreal |
| 2 | March 29, 1984 | Ambassador Dean Brown
President
Middle East Institute
Washington, D.C. |
| 3 | April 5, 1984 | Mr. Zehdi Terzi
Permanent Observer of the PLO to the
United Nations |

First Session of the Thirty-Third Parliament, 1984-85

- | | | |
|------------------|-------------------|--|
| <i>In Camera</i> | February 12, 1985 | Department of External Affairs
Mr. Joseph Stanford
Assistant Deputy Minister
Africa and Middle East Branch

Mr. Michael Bell
Director
Middle East Relations Division |
| <i>In Camera</i> | March 5, 1985 | Department of State
United States of America
Mr. Bob Pelletreau
Deputy Assistant Secretary
Near Eastern and South Asian Affairs |
| <i>In Camera</i> | May 21, 1985 | Department of External Affairs
Mr. Robert Elliott
Director General
Middle East Division |

Middle East Study Visit, November 13-27, 1983

A Sub-committee of the Standing Senate Committee on Foreign Affairs composed of Senators van Roggen (Chairman), Buckwold, Hicks, Lapointe, Macquarrie, Murray and Roblin was formed to make a study visit to the area. On the day of departure Senator van Roggen was taken ill and had to go to hospital. Senator Hicks was chosen to act as Chairman of the group.

The group visited five countries - Egypt, Saudi Arabia, Syria, Jordan and Israel - and the West Bank and Gaza from November 13 to 27. The group had also intended to go to Algeria but these plans unfortunately had to be cancelled.

The purpose of the Middle East study visit was to supplement with direct experience the testimony which had been received by the Committee. The high level at which they were received in each country gave members the opportunity to hear the viewpoints of major figures on matters related to the Middle East generally as well as to political and economic matters of interest to Canada. After the conclusion of the visit, the Sub-committee issued a report in February 1984 summing up its impressions. This report was subsequently printed as an appendix to the March 7, 1984 proceedings of the Committee in the second session of the 32nd Parliament. (II,1A:1 to 28)

The leaders and spokesmen whom the group met were:

Arab Republic of Egypt

His Excellency Mohamed Hosni Mubarak	President of Egypt
His Excellency Mr. John Schioler	Canadian Ambassador to Egypt
His Excellency Dr. Kamal Leila	Speaker of the People's Assembly
Dr. Mohamed Abdullah	President, External Affairs Committee People's Assembly
Dr. Saadeldine Ibrahim	Professor of Sociology at the American University in Cairo
Representatives of the Egypt-Canada Business Council	Mr. Fouad Sultan, Chairman, MISR- Iran Development Banks
His Excellency Dr. Wagih Shindy	Minister of Investment and International Cooperation

Kingdom of Saudi Arabia

H.M. Fahd Ibn Abdul Aziz al Saud	King of Saudi Arabia
H.R.H. Prince Saud al-Faisal	Foreign Minister
Sheikh Abdul Aziz Abdul Mohsen Al-Tuwaijari	Assistant Deputy Commander, Saudi Arabian National Guard
His Excellency Mr. Dwight W. Fulford	Canadian Ambassador to Saudi Arabia
Mr. Mohammed Ali Makki	Deputy Minister of the Ministry of Agriculture and Water
Mr. Mohammed Majadidi	Assistant Deputy Minister, Ministry of Planning
His Excellency Sheikh Hussein Mansouri	Minister of Communications
Mr. Robert A. Campbell	General Manager, Bell Canada Enterprises
Mr. Michael J. McFall	Manager, Bell Canada Enterprises
Mr. Fahd Basri	Saudi Manager of the Project Bell Canada Enterprises

Syrian Arab Republic

His Excellency Mr. Abdul Halim Khaddam	Deputy Prime Minister and Foreign Minister
His Excellency Mr. Abdl Rauf al-Kasm	Prime Minister
Mr. Khaled Fahoum	Chairman of the Palestine National Council
His Excellency Mr. R. David Jackson	Canadian Ambassador to Syria
Mr. Yassir Abdul Rabbo	Member of the PLO Executive Committee
Major-General Carl Gustav Stahl	Force Commander UNDOF
Lt. Colonel John Almstom	Senior Canadian Military Observer, UNTSO

Mr. Aidan Walsh	Deputy Director United Nations Relief and Works Agency (UNRWA) for Palestine Refugees in the Near East
Mr. Aref Zafari	Deputy Field Relief Service Officer, UNRWA
Mr. Mohammed Fayyad Eid	Muktar of UNRWA Qabressit Camp
Mr. Mohammed Haidar	Head of the Office of External Relations of the Ba'ath Party National Command
His Excellency Mr. Mahmud el-Zobi	Speaker of the People's Council
Dr. Mohsen Bilal	Director of the Committee on Arab and International Affairs, People's Council
Hashemite Kingdom of Jordan	
H.M. Hussein Ibn Talal	King of Jordan
H.R.H. Prince Hassan Bin Talal	Crown Prince
His Excellency Mr. Marwan Kasm	Minister of Foreign Affairs
His Excellency Mr. Keith MacLellan	Canadian Ambassador to Jordan
Brigadier Abdul al-Razzaq al-Yahya	Representative in Jordan of the Palestine Liberational Organization
Mr. Muhammad Hassan Abdul Rahman Milhem	Mayor (in exile) of Halhoul, West Bank
Sheikh Abdul Hamid Sayeh	Member of the Higher Moslem Council
Mr. Omar Nabulsi	Former Jordanian Ambassador; Former Jordanian Minister
Dr. Sari Naser	Dean of Social Science, University of Jordan
Miss Aisha Odeh	Teacher
Mr. Hani Abu Hijleh	Resident of Jordan
Mr. Fahd Daud Abdullah Qawasmi	Ex-mayor of Hebron
Dr. Munther Salah	President (in exile) of Najah University Nablus

Mr. Kamel Abu Jaber	Secretary-General, World Affairs Council
Mr. Adnan Abu Odeh	Minister of Information
Mr. Mahmoud El Sherif	Editor-in-Chief and Director-General of the <i>Jerusalem Star</i>
Dr. Hanna Odeh	President of the National Planning Council
Lt. General Sharif Zeid bin Shaker	Commander-in-Chief, Jordan Armed Forces
Mr. Ahmad Abdul Kareem al-Tarawneh	President of the Senate
Mr. Suleiman Arar	Speaker of the National Consultative Council
The Honourable Ahmad El Khalil	Member of the Senate
Mr. Abdel Wahab Majali	Chairman, Foreign Relations Committee

Israel, West Bank and Gaza

His Excellency Yitzhak Shamir	Prime Minister and Foreign Minister
His Excellency Mr. Vernon Turner	Canadian Ambassador to Israel
Mr. Menachem Savidor	Speaker of the Knesset
Mr. Mordecai Ben-Porat	Minister without Portfolio
Mr. Ehud Olmert	Member of the Knesset
Mr. Y'acov Tsur	Member of the Knesset
Mr. Dan Tichon	Member of the Knesset
Mr. Michael Reisser	Member of the Knesset
Mr. Amnon Rubinstein	Member of the Knesset
Mrs. Edna Solodar	Member of the Knesset
Mrs. Sara Doran	Member of the Knesset
His Excellency, Mr. Eliashiv Ben-Horin	Ambassador-designate to Canada

Mr. Eliyahu Ben-Elissar	Member of the Knesset and Chairman of the Foreign Affairs and Security Committee
Mr. Meron Benvenisti	Director of the West Bank Data Project (Former Deputy-Mayor of Jerusalem)
Mr. Shlomo Hillel	Labour Member of the Foreign Affairs and Defense Committee of the Knesset
Mr. Shmuel Ovnat	Foreign Policy Advisor to Mayor Kolleck of Jerusalem
Mr. Harold Dick	Representative of the Mennonite Central Committee
Mr. Moshe Erell	Assistant Director-General for Historical Research, Ministry of Foreign Affairs, Jerusalem
Colonel K.J. Perry	Canadian Forces Attaché at the Canadian Embassy
Lt. Col. J. Robert O'Brien	Commander of the Canadian unit, UNDOF, Golan Heights
Mrs. Lori Miller	Resident of Mehola Moshav, Jordan Valley
Mr. Arnie Kaminsky	Resident of Mehola Moshav
Mr. Gidi Netzer	Resident of Mehola Moshav
Mr. Peter Hawkins	Director of UNRWA's Gaza Operations
Mr. Tom McAndrew	Deputy Director of UNRWA's Gaza Operations
Dr. B. Armanias	Medical Advisor, The Ahli Arab Hospital, Gaza
Bishop Faik I. Haddad	Anglican Bishop of Jerusalem
Dr. H. Abu Ghazaleh	Chairman, The Sun Day Care Centre, Gaza
Mr. Rashad al-Shawa	Ex-mayor of Gaza
Mr. Yitzhak Rabin	Former Labour Prime Minister of Israel

Mr. Gershom Shocken	Editor of <i>Ha'Aretz</i>
Mr. Meir Shitrit	Member of the Knesset
Mrs. Geula Cohen	Member of the Knesset
General Arieh Shalev	Assistant Director, Centre for Strategic Studies, Tel Aviv University
Mr. Saiden Atchai	Druse, former Member of the Knesset
Mr. Yossi Olmert	Shiloah Centre, Tel Aviv University
Mr. Shaul Ben-Haim	Foreign Affairs Editor, <i>Ma'Ariv</i>
Mr. Simcha Denitz	Vice-President, Hebrew University, Tel Aviv
Professor Ron Shouval	Representative of 'Peace Now'
Dr. Mark Heller	Centre for Strategic Studies, Tel Aviv University
Mr. Zvi Trop	Chief Economic Advisor, Ministry of Defence, Tel Aviv
Mr. Itzhak Katzir	Deputy Economic Advisor in the Ministry of Defence
Colonel Ephrain Kam	Assistant Deputy Director of Military Intelligence at the Ministry of Defence, Tel Aviv
Dr. Gabi Baramki	Acting President of Bir Zeit University, West Bank. Also present at the luncheon were some members of the University staff, members of the Board of Trustees, the Mayor of El Birel
Ms. Wendy Leblanc	Teacher of English at Bir Zeit, Canadian
Mr. Israel Harel	Chairman of the Councils of Jewish Settlements
Brigadier General Shlomo Ilya	Head of the Civilian Administration for the Occupied Territories
His Worship Elias Freij	Major of Bethlehem

APPENDIX B

CANADA'S TRADE WITH MIDDLE EAST AND NORTH AFRICAN COUNTRIES

(1979 to 1984)

(Canadian \$'000)

Canadian EXPORTS to:	1979	1980	1981	1982	1983	1984
Bahrain	3,997	5,629	5,334	5,576	4,697	5,211
Iran	22,401	41,338	21,855	181,903	206,177	142,672
Iraq	104,622	152,880	294,294	190,561	116,276	163,292
Israel	109,839	101,106	124,432	122,084	124,827	151,588
Jordan	11,521	13,986	16,847	23,786	12,809	10,534
Kuwait	66,371	71,072	82,983	96,506	64,652	66,479
Lebanon	36,108	39,522	52,833	37,060	14,236	11,288
Oman	1,035	3,233	12,329	22,077	8,549	6,853
Qatar	6,007	8,742	13,522	18,582	9,951	11,013
Saudi Arabia	251,060	310,509	455,496	442,374	364,772	361,873
Syria	11,519	20,869	5,637	3,250	79,009	102,012
UAE	29,183	44,367	49,104	47,441	31,001	23,596
Yemen South	14,972	30,033	588	1,603	1,794	3,750
Yemen North	2,009	81	150	1,245	473	5,800
TOTALS	670,644	843,367	1,135,404	1,194,048	1,039,223	1,065,961
Algeria	214,571	393,083	389,335	496,287	448,531	452,257
Egypt	36,701	128,126	127,021	353,093	136,226	286,694
Libya	35,966	72,118	111,904	119,030	78,466	72,370
Morocco	67,705	67,290	104,090	104,683	59,385	60,517
Sudan	8,941	7,925	10,296	13,433	15,476	13,295
Tunisia	39,660	58,563	73,551	73,521	47,195	76,464
TOTALS	403,544	727,105	816,197	1,160,047	785,279	961,597
Total of Exports to Middle East and North Africa	1,074,188	1,570,472	1,951,601	2,354,095	1,824,502	2,027,558

Canadian IMPORTS from:	1979	1980	1981	1982	1983	1984
Bahrain	0	10	179	1,113	523	274
Iran	335,058	3,444	2,702	117,183	526,750	175,179
Iraq	73,752	254,465	1,031	561	897	36
Israel	56,309	54,387	51,323	39,765	55,872	81,902
Jordan	17	17	8	108	199	23
Kuwait	106,962	167,555	164,598	769	18,283	355
Lebanon	609	1,045	404	495	769	759
Oman	0	—	0	0	34	133
Qatar	34	104	2	37	67	308
Saudi Arabia	1,241,973	2,445,804	2,272,750	731,331	94,044	1,429
Syria	30	2,543	130	217	50,201	179
UAE	905	62,163	63,760	34,266	2,432	6,554
Yemen South	7	52	114	134	65	180
Yemen North	0	0	0	0	8	47
TOTALS	1,815,656	2,991,589	2,557,001	925,979	750,144	267,358
Algeria	87,274	12,076	424,322	259,614	150,103	306,963
Egypt	89,538	10,721	6,604	2,190	98,733	73,041
Libya	204	231	149,629	22,675	34,941	72,418
Morocco	6,768	11,086	15,629	15,393	15,818	14,980
Sudan	265	1,029	444	831	692	567
Tunisia	712	282	1,436	392	1,549	23,771
TOTALS	184,761	35,425	597,647	301,095	301,836	491,740
Total of Imports from Middle East and North Africa	2,000,417	3,027,014	3,154,648	1,227,074	1,051,980	759,098

APPENDIX C

Population and GNP per capita, 1982

Countries of the Middle East and North Africa

	Population (Thousands)	GNP per capita (\$US)
Algeria	19,911	2,350
Bahrain	380	9,860
Egypt	44,315	670
Iran	41,230	2,160* (1977)
Iraq	14,161	3,020* (1982)
Israel	4,027	5,320
Jordan	3,127	1,690
Kuwait	1,562	19,610
Lebanon	2,637	1,070* (1974)
Libya	3,216	8,430
Morocco	20,269	860
Oman	1,079	6,370
Qatar	270	22,060
Saudi Arabia	10,025	15,820
Sudan	20,167	430
Syria	9,458	1,680
Tunisia	6,683	1,380
United Arab Emirates	1,132	24,080
Yemen, Arab Republic	7,470	500
Yemen, People's Democratic Republic	1,957	407

Source: *World Bank Atlas, 1985*

* Figures for these countries were not available from the World Bank Atlas. *The Statesman's Year-Book 1984-85* statistics for GNP per capita have been provided for these countries.

APPENDIX D

CRUDE OIL MIDDLE EAST AND NORTH AFRICAN IMPORTS AS A PERCENTAGE OF TOTAL CANADIAN IMPORTS: 1971-1984

(1,000 BBL/DAY)

Year	Middle East and North Africa Imports	Total Imports	Middle East and North Africa Imports as % of Total
1971	165.48	669.58	24.71
1972	271.86	789.14	34.45
1973	348.01	860.25	40.45
1974	430.44	819.98	52.49
1975	533.03	823.12	64.76
1976	374.45	721.18	51.92
1977	316.54	669.58	47.27
1978	268.08	615.46	43.56
1979	288.21	610.42	47.23
1980	264.94	554.41	47.79
1981	206.42	509.10	40.55
1982	86.83	339.14	26.00
1983	69.59	247.28	28.00
1984	45.24	244.52	18.50

— The Middle East and North African countries involved are Algeria, Libya, Iraq, Kuwait, U.A.E., Saudi Arabia and Iran

Note: Figures are for gross imports and do not include Canadian exports or oil imported for processing and re-export.

APPENDIX E

CANADIAN HUMANITARIAN ASSISTANCE TO THE MIDDLE EAST AND NORTH AFRICA

	<u>Fiscal Year</u> 1982/83	<u>Fiscal Year</u> 1983/84	<u>Fiscal Year</u> 1984/85
1. Regular Programme Support to the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA) Special Relief (UNRWA) 1984 Program (UNRWA)	\$ 3,600,000	\$ 4,200,000 3,900,000 2,000,000	\$ 6,500,000
2. Disaster Relief Fund (Response to Appeals) - Morocco (Cliff Collapse) to the League of Red Cross Societies (LRCS)	\$ 25,000		
3. Disaster Relief Fund (Response to Appeals) - Yemen (P.D.R.) (Floods) to the League of Red Cross Societies (LRCS)	\$ 50,000		
4. Disaster Relief Fund (Response to Appeals) - Lebanon (Conflict) to the International Committee of the Red Cross (ICRC)	\$ 1,000,000	\$ 1,300,000	
5. Disaster Relief Fund (Response to Appeals) - Lebanon (Conflict) to the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA)	\$ 950,000		
6. Disaster Relief Fund (Response to Appeals) - Lebanon (Conflict) to the United Nations Children's Fund (UNICEF)	\$ 450,000 \$ 500,000		
7. Disaster Relief Fund (Response to Appeals) - Lebanon (Conflict) to the Canadian Council of Churches/World Council of Churches (CCC/WCC)	\$ 150,000	\$ 250,000	
8. Disaster Relief Fund (Response to Appeals) - Yemen Arab Republic (Earthquake) to the United Nations Children's Fund (UNICEF)	\$ 175,000		

9. Disaster Relief Fund (Response to Appeals) - Yemen Arab Republic (Earthquake) to the United Nations Children's Fund (UNICEF)	\$ 400,000		
10. Disaster Relief Fund (Response to Appeals) - Iran/ Iraq (Conflict) to the International Committee of the Red Cross (ICRC)	\$ 100,000	\$ 400,000	\$ 400,000
11. Special Fund for Palestinian Refugees - to the Canadian Council of Churches/World Council of Churches (CCC)		\$ 320,000	\$ 360,000
12. Disaster Relief Fund (Response to Appeals) - Morocco (Drought) to the League of Red Cross Societies (LRCS)			\$250,000
13. Disaster Relief Fund (Response to Appeals) - Sudan (Refugees) to the UN High Commissioner for Refugees	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
14. Disaster Relief Fund (Response to Appeals - Sudan (Drought) to the UN High Commissioner for Refugees			\$ 500,000
15. Disaster Relief Fund (Refugees) - Sudan to the League of Red Cross Societies		\$ 50,000	
16. Special Fund for Africa (Matching Fund) - Sudan (Special Project) to Canadian Council for International Co-operation/African Emergency Aid (CCIC/AEA)			\$ 5,000,000
17. Special Fund for Africa (Matching Fund) - Sudan (Famine) to: League of Red Cross Societies, Léger Foundation, Canadian Catholic Organization for Development and Peace, United Church, Oxfam Quebec, Anglican Church, Presbyterian Churches, and Assistance médicale internationale (AMI).*			\$ 1,961,247
18. Special Fund for Africa (Other Funds) - Sudan (Ethiopian Refugees) to UN High Commissioner for Refugees			\$ 500,000
19. Special Fund for Africa (Other Funds) - Sudan (Chadian Refugees) to UN High Commissioner for Refugees			\$ 250,000
Totals	<u>\$ 8,400,000</u>	<u>\$13,370,000</u>	<u>\$16,771,247</u>

Note:

* Sudan may have received additional Humanitarian Assistance aid through the Matching Fund to Cansave, designated for Ethiopia/Sudan.

APPENDIX F

IMMIGRATION TO CANADA FROM MIDDLE EAST AND NORTH AFRICAN COUNTRIES

Total Landings 1978 - 1984
By Country of Last Permanent Residence

	Landed 1978	Landed 1979	Landed 1980	Landed 1981	Landed 1982	Landed 1983	Landed 1984
Morocco	167	145	313	489	481	390	251
Tunisia	50	67	46	53	53	58	51
Algeria	50	72	61	74	90	106	63
Libya	15	10	27	48	31	15	17
Egypt	464	511	616	683	844	498	449
Sudan	21	13	28	26	48	79	61
Israel	729	831	1,498	1,785	1,392	564	429
Lebanon	1,414	1,747	1,406	1,122	1,190	813	1,245
Jordan	126	130	173	131	98	83	50
Syria	198	174	207	331	281	193	213
Iraq	123	203	246	216	201	325	495
Saudi Arabia	59	35	81	122	170	141	155
Yemen Arab Rep.	4	2	12	3	13	4	3
Yemen People's Dem. Rep.	1	1	1	5	1	13	4
Oman	8	7	2	6	16	18	10
United Arab Emirates	42	36	47	67	131	113	133
Qatar	3	-	2	11	13	5	16
Bahrain	15	11	20	27	43	18	10
Kuwait	74	36	72	152	182	155	133
Iran	580	1,044	1,021	1,056	1,201	1,268	1,869
TOTAL	4,143	5,075	5,879	6,407	6,479	4,879	5,657

Note: Immigrants listed as coming from Israel also include persons coming from the West Bank, Gaza and the Golan Heights.